

# Natural England Annual Report and Accounts

1 April 2018 to 31 March 2019

HC 2315

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# Natural England

Annual Report and Accounts  
1 April 2018 to 31 March 2019

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Natural Environment and Rural Communities Act 2006.

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

# 1. Performance Report

**Overview** - The following 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.

## Chief Executive's Statement

This year was one of considerable change for Natural England, some planned and some which we could not have foreseen. A particular challenge for the organisation, was the need to deliver a significant in-year saving after we had settled a Grant-in-Aid budget which could not be achieved without cutting deep into some aspects of our work. The year included the transfer of a significant number of staff to the Rural Payments Agency (RPA). We also moved staff into core Defra in order to be prepared for the UK leaving the EU.

In addition during this year both the Chief Executive and Chairman's terms of office came to an end and we had a number of staff changes in the Senior Leadership Team.

It is a credit to the quality and professionalism of our staff that Natural England rose to the challenges created by this multiplicity of change and continued to deliver for the natural environment. We have made significant strides forward in helping deliver [A Green Future: Government's 25 Year Plan to Improve the Environment](#) (25YEP) as well as continuing to succeed in our statutory duties to protect the natural environment.

James Cross left Natural England in November 2018 after four years as Chief Executive. I temporarily stepped across from Board to take up the role as interim Chief Executive in December to provide leadership and continuity until such time as a permanent successor is appointed. A further change to the top team occurred in January when Andrew Sells retired after five years as Chairman, with Deputy Chairman Lord Blencathra chairing the Board until the new Chairman Tony Juniper joined in April 2019.

Natural England's work in preparing for EU Exit stepped up significantly this year. We had five main priorities: ensuring that the environmental protection provided by EU law both at land and at sea was correctly transposed into domestic legislation; supporting work on the Agriculture, Environment and Fisheries Bills; preparing our front line staff for Day 1 readiness including "No Deal" scenarios; working with Defra on trials and tests for the new Environmental Land Management System (ELMS) and supporting development of the Future Farming and Marine programmes. In all this, we worked closely with others in the Defra group, including seconding 53 staff to Defra to work directly on EU Exit projects.

Following agreement between Natural England, Defra and the RPA, responsibility for the delivery of Countryside Stewardship (CS) and Environmental Stewardship (ES) was transferred from Natural England to the RPA on 1 October. This involved moving around 700 staff to centralised scheme delivery under the RPA, the accredited Paying Agency for England that manages the Rural Payments System. Moving the administration of land management schemes, payments and control of disallowance risk to the RPA now provides a more joined-up service for customers. Natural England's role will continue to be, to provide first class conservation advice to enable the

farming community to participate and evaluating the effectiveness of the schemes. This year, we processed 449 CS Higher-Tier applications and made recommendations for the extension of 946 Higher-Level ES extensions. We have also continued, in our role as statutory adviser on the natural environment, to work with Defra to evolve CS and begin the important work to design a new ELMS.

In 2018/19, the selection and designation of protected sites continued to play an important role in securing key nature conservation outcomes and we notified an additional 3,821 hectares of land as Sites of Special Scientific Interest. We have secured long terms plans (or equivalent) on 31,430 hectares of blanket bog as part of our programme to restore the condition of blanket bogs to a well-functioning habitat with multiple social, economic and environmental benefits. Our work to reduce the impact of diffuse water pollution on designated sites continued through the provision of catchment sensitive farming advice. We responded to almost 50,000 planning, licensing and Sites of Special Scientific Interest (SSSI) consents and consultations.

A priority for our work on protected landscapes was to influence the Government's review, led by Julian Glover, to consider the next steps for National Parks and Areas of Outstanding Natural Beauty, including providing staff to the review team. Our comprehensive written evidence drew from our significant experience and expertise from working closely with designated landscape partners over many years.

We delivered advice and evidence to Defra and regulators to support the Government's commitment to complete the 'blue belt' (the network of marine protected areas), improve the management of the network and achieve 'good environmental status' as required by the UK Marine Strategy. Our advice covered 28 proposed new inshore Marine Conservation Zones and a further ten existing MCZs where new features were proposed, covering an area of nearly 900,000 hectares in total.

Our move towards working at a landscape scale was exemplified by district level licensing for great crested newts. We have district level licences in place across 23 Local Planning Authorities and are approximately halfway through the largest ever baseline survey for great crested newts using eDNA techniques (see KPI 7 on page 9 for further details).

We opened a further two stretches of the England Coastal Path in 2018/19 bringing the total length of open path to 375 miles. Although new European case law slowed the necessary work to assess nature conservation impacts of the planned route, we are now back on track and continue to work towards opening as much of the route as we can by 2020.

This year has also seen a growing number of legal challenges to Natural England's work as a wildlife licensing authority, many of which have been successfully resolved through negotiation or defended in court. However towards the end of the year we received a challenge to the way that three of the general licences for controlling certain wild birds were issued. Licences in this form have been in place since the 1990s, issued initially by MAFF/Defra, but delegated to Natural England in 2007. In light of the legal challenge, we came to the conclusion that the licences had not been issued in accordance with the statutory requirements and on that basis we could not allow users to continue to rely on them. The revocation of the licences caused confusion and concern to users and a great deal of complex work by Natural England and Defra to issue new licences as quickly as possible. At the time of writing, this is not yet fully resolved and we continue to work closely with Defra on its review of general licences. Our aim remains as always to deliver a licensing system which takes account of the needs of people and wildlife.

Natural England has a clear statutory purpose, set out in the NERC Act 2006 "to ensure that the natural environment is conserved, enhanced and managed for the benefit of present and future generations, thereby contributing to sustainable development". We deliver this through our

Conservation Strategy [Conservation 21: Natural England's conservation strategy for the 21st century](#) (C21). But now, the new 25YEP together with preparations for Britain's departure from the EU provide a clear context for the future and the prospect of new tools, such as net gain and ELMS. We are therefore taking a fresh look at how we should organise our work to achieve our goal of a richer natural environment on land and sea, used and enjoyed by more people, including by securing a sustainable and long-term funding base. As a result we are now organising ourselves around four medium term objectives:

- Greener farming and fisheries
- Sustainable development
- Connecting people and nature
- Restoring nature

We are well placed to help lead elements of the 25YEP across Government. Our remit derives from a unique breadth of statutory purpose and powers and our people are passionate with expertise in environmental law, science and delivery. Our integrated delivery structures enable us to combine a national presence and overview with a deep understanding of local delivery. We operate at a landscape-scale, putting people at the heart of the environment and embedding a natural capital approach to decision making. We are increasingly working proactively in larger, focus areas where we really make a difference with and through others.

At the heart of our plans for the future are our staff. Year on year cuts to Natural England's budget, ongoing pay restraint and staff feeling that the organisation has been subject to constant criticism have made it a tough year. We are investing heavily in changes to ensure we have an inclusive workforce who are treated fairly, respected and valued, with clarity over objectives and accountable leadership. We are also investing more in our people's personal and professional development and seeking ways to properly reward them for the contribution they make, within the constraints of the public sector pay offer.

Natural England has achieved much in this turbulent year and has begun to turn its attention to the future. I am proud that Natural England is ready and able to continue to make a significant contribution to achieving a richer natural environment for all.

Marian Spain  
Interim Chief Executive,  
Natural England

20 June 2019

## Our purpose and activities

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. Our general purpose is “to ensure that the natural environment is conserved, enhanced and managed for the benefit of present and future generations, thereby contributing to sustainable development.”

## The 25 year Environment Plan and the Defra Strategy



On 11 January 2018, the Prime Minister, Theresa May, and Environment Secretary, Michael Gove, launched the Government’s landmark 25 Year Environment Plan (25YEP), which 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 the Defra Strategy. A new Defra Group Strategy was launched in October 2018, this set out a shared vision and set of strategic objectives for the whole of the Defra group. It is intended to provide staff across the whole group of Defra organisations (including non-ministerial departments, executive agencies, non-departmental and other public bodies) with a clear vision, direction and shared framework. Actions to achieve the strategic objectives are described in more detail in [Defra’s Single Departmental Business Plan](#).



To deliver the Defra Group objectives, the four impact objectives in the Defra Strategy are underpinned by five outcome 'systems' as follows;

- 1) Natural Environment and Rural
- 2) Marine and Fisheries
- 3) Environmental quality
- 4) Floods and Water
- 5) Food, Farming and Biosecurity

The Defra Single Departmental Business Plan is set up around these five outcome systems and describes what the Defra Group are doing to achieve its aims; what resources (people and money) are allocated; and what the measures of success are. The Defra Executive committee sits over the five outcome systems. Each system has a Defra Lead who sits on the Executive Committee and it is their responsibility to bring the organisations and work that fall under those systems together to deliver Defra's outcomes in a robust and cohesive manner. This cross Defra group approach to risk identification and management provides a way of informing a future view.

More information is available in the [Defra consolidated Annual Report and Accounts](#).

Natural England contributes largely to the Natural Environment and Rural outcome system, but also feeds into the Marine and Fisheries and Food, Farming and Biosecurity.

## Our 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.

For an assessment of Natural England's issues and risks, refer to the Governance Statement.

## Going concern statement

In common with other government non-departmental public bodies, the future funding for our liabilities will be as grant in aid (GiA) from Defra and other income. Natural England's GiA for 2019/20 is included in the Defra estimates which have already been approved by Parliament.

Other income to 31 March 2019 is made up £30.3m of our total receipt, and included £15.6m Technical Assistance grant funding from the EU. We are expecting that EU grant funding will decline as Britain exits the EU. However, the other income we receive is used to fund only non-statutory work.

We are confident that we will receive continued support for our statutory work from Defra in future years. It has therefore been considered appropriate to adopt a going concern basis for the preparation of the financial statements.

## Performance Summary

Overall, as explained in the Chief Executive's Statement 2018/19 has been a turbulent year for Natural England. We have been faced with considerable change, some planned and some unforeseen. Against this backdrop we have achieved an average operational performance, demonstrated by 9 (64%) of our 14 Key Performance Indicators (KPIs) rated Green/Amber Green (2017/18 80%). For detail on the KPI's please see Natural England's Performance analysis on page 8.

We monitor our performance via a suite of key performance indicators which are set out at the start of the financial year in the Natural England Action Plan. 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.

## Performance Analysis – The following section provides a detailed summary of how Natural England has measured its performance over the year against key performance indicators.

Our 14 Key Performance Indicators are set out below. For those indicators where there is an element of underperformance, and risk to delivery targets, these have also been captured in year on our corporate risk register. Details of mitigating actions implemented to minimize the underperformance have been included in the key issues and risks section, which can be found within the Governance Report. We report our KPIs as set out below to our Board on a monthly 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.

### Natural England’s Performance Analysis 2018/19

Natural England’s 14 Key Performance Indicators (KPIs) and measure of 2018/19 performance:

Summary of KPI Performance	
RAG Status	No of 2018/19 targets
Green	7
Amber Green	2
Amber Red	1
Red	4
<b>Total</b>	<b>14</b>

No	2018-19 KPIs		
	KPI	Performance Summary	RAG
1	<p><b>Maintain the condition of terrestrial protected sites (including, freshwater and wetlands SSSIs):</b></p> <p>- 38.7 per cent of SSSIs (by area) in favourable condition</p>	<p>This KPI focuses on delivering sustainable outcomes for environmental features on protected sites in the longer term, as set out in Government’s 25 Year Environment Plan.</p> <p>At year-end, 38.77 per cent of SSSIs (by area) were in favourable condition</p>	Green
2	<p><b>Reduction in diffuse water pollution in priority catchments</b></p> <p>- 4,908 priority farms engaged by Catchment Sensitive Farming</p>	<p>During 2018/19, we provided advice on Catchment Sensitive Farming to 5,925 farmers. This increase was driven by high demand earlier in the year for Countryside Stewardship Mid-Tier based advice, and also includes follow up work to assess the uptake of our advice.</p>	Green
3	<p><b>Complete the accelerated programme for the creation of the England Coast Path by 2020:</b></p>	<p>At the beginning of 2018/19 we had already opened nine stretches of the England Coast Path totalling 506 kilometres (314 miles) from the planned 66 stretches by 2020 measuring 4,354 kilometres (2,706 miles) and which</p>	Red

No	2018-19 KPIs		RAG
	KPI	Performance Summary	
	- 3,973 kilometres submitted to the Secretary of State for approval (cumulative over life of programme)	represents all of the English coast. We were unable to meet any of our target for this year following the outcome of a European Union Court of Justice ruling (known as 'People over Wind') which required further work on nature conservation assessments. However we were able to launch a further two stretches during the year and continue 'on the ground' preparations. 2019/20 will see us recommence the submission of proposals to government ready for the path to be open in 2020.	Red
4	<p>Deliver advice and evidence to Defra and regulators to support delivery of marine good environmental status.</p> <p>Up to 49 Marine Protected Area (MPA) designations advised on:</p> <ul style="list-style-type: none"> <li>- 31 draft and 5 formal conservation packages provided</li> <li>- 15 sites advice provided to marine authorities</li> <li>- 5-15 sites assessed</li> </ul> <p>Articles 12 (Birds Directive) and 17 (Habitats Directive) reporting:</p>	<p><b>MPA Designations:</b> We advised on 42 Marine Protected Area designations;</p> <p><b>Conservation Advice packages:</b> We published 24 draft and 15 formal conservation advice packages;</p> <p><b>Advice to marine authorities:</b> We provided site advice to marine authorities on 19 sites;</p> <p><b>Sites Assessments:</b> We assessed 6 Marine Protected Areas sites; and</p> <p><b>Articles 12 and 17:</b> We completed our commitments under this metric.</p>	Amber Green
5	<p>We deliver evidence that is accessible and available both nationally and to local communities to facilitate decision making at all levels:</p> <p>a) Accessibility to evidence:</p> <ul style="list-style-type: none"> <li>- 3,750 MAGIC users per day</li> <li>- 25,000 downloads per year</li> </ul> <p>b) Earth Observation</p> <p>c) Data Modelling</p> <p>d) Developing DNA based methods to improve our evidence base</p>	<p>a) We average 4,179 MAGIC users per working day and we had 27,024 downloads during 2018/19.</p> <p>b) We completed 100 per cent of our planned Earth Observation Integrated Business Planning projects.</p> <p>c) We completed 96 per cent of our Data Modelling Integrated Business Planning projects.</p> <p>d) We completed all of our scheduled 'Developing DNA' projects including crayfish on the dove, Wealden fungi, inshore fish and invertebrate ID comparison.</p>	Green
6	<p>Ensure sustainable development by providing timely advice to developers:</p> <ul style="list-style-type: none"> <li>- 95 per cent of planning casework consultations responded to within agreed deadlines</li> </ul>	In 2018/19, Natural England responded to 96.76 per cent of our 15,688 planning consultations within agreement deadlines.	Green
7	<p>Early engagement with local authorities and developers enable us to safeguard protected species whilst supporting economic growth:</p> <ul style="list-style-type: none"> <li>- 82 strategic licences granted by 31 March 2019 (The cumulative target over the 3 year programme 2017-2020 is to reach 150 strategic licences by 31 March 2020)</li> </ul>	<p>Our 'Red' performance is based on our original target of delivering 82 strategic licences for great crested newts by the end 2018/19, year two of a three year programme.</p> <p>However, as local authorities were unwilling in some cases to adopt this new approach we had to change tactic in year with NE and partners taking on more of the work. We ended the year on-track against our revised target of having district level licences in place across 23 local planning authorities and expect to meet our cumulative target in 2019/20.</p>	Red
8	We reduce our dependence on Government funding	In 2018/19 we achieved a commercial income of just over £5 million compared with £3.9 million in 2017/18.	Green

No	2018-19 KPIs		RAG
	KPI	Performance Summary	
	- £4.3 million income generated through chargeable services		Green
9	<p><b>Improve wellbeing to allow all staff to achieve their full potential for the benefit of themselves and Natural England</b></p> <p>- Increase in the wellbeing scores in the staff survey</p>	Our annual staff survey carried out in November 2018 included four new questions which are used by the Office of National Statistics to measure subjective wellbeing. Our survey results for three of these four wellbeing questions were lower than the public sector average, driven in large part by significant in year changes following a significant budget cut. The wellbeing of our staff remains extremely important to us and we have put in place an organisational strategy that also builds on other feedback we received from staff about the need to feel valued and motivated by the work they do.	Red
10	<p><b>Provide and maintain a safe working environment, work practices, equipment and facilities:</b></p> <p>- We improve the ratio of Near Hits to Accidents that cause harm by 10 per cent on 2017/18 (working towards a 2:1 ratio)</p>	Our ratio of Near Hits to Accidents at year end was 1.07: 1. Natural England seeks to reduce the number of Accidents and enhance our overall health and safety culture by encouraging the reporting of Near Hits so that we can learn from them. We are moving nearer to our target ratio with a 47 per cent increase in near hits reporting in 2018/19 compared to 2017/18.	Amber Red
11	<p><b>We deliver our financial outturn to agreed forecast:</b></p> <p>- +/- 0.5 per cent of year-end target</p>	Our year end outturn was £0.1million / 0.1 per cent overspend against our agreed full year grant in aid budget.	Green
12	<p><b>Restoring the condition of blanket bogs in the upland areas of England</b></p> <p>- 50,000 hectares of blanket bog with long term plan/amended consent/revised Higher Level Stewardship in place</p>	At the end of 2018/19, 31,430 hectares (63 per cent) of blanket bog were covered by long term plans (or equivalent), so we fell short of our target by 37 per cent. In-year, we reset our focus from the area of blanket bog to the number of consents made safe (cessation of rotational burning) to better demonstrate our progress towards meeting the requirements set out in the current phase of the EU Commission infraction.	Red
13	<p><b>Countryside Stewardship agreements deliver integrated environmental benefits to contribute to Biodiversity 2020 outcomes:</b></p> <p>500 Higher Tier agreements delivered in 2018/19.</p>	Natural England Area Teams completed their role in 2019 Countryside Stewardship (CS) applications by returning all 449 signed declarations for Higher-Tier applications from an original pipeline of 492. Natural England Area Teams have also provided formal recommendation to RPA for 946 Higher Level Environmental Stewardship extensions.	Amber Green
14	<p><b>To deliver a safe and effective cull to reduce bovine TB in cattle:</b></p> <p>- License 29 High Risk Area (HRA) companies and 2 Supplementary Badger Control (SBC) companies, including ten new HRA companies.</p>	We issued 2 Supplementary Badger Control licences in June 2018 and then 29 High Risk Area licences in September 2018. In addition to this planned profile, we also issued one Low Risk Area licence in September 2018.	Green

For 2019/20 Natural England is changing its approach to assessing KPI's, this is based on steers from our Board. We are looking to develop longer term KPI's which can be reported on across multiple years to help give a clearer understanding of how Natural England is performing.

Over the coming five years we have a plan to make major contributions to the following areas;

- Greener Farming and Fisheries
- Sustainable Development
- People in Nature
- Nature Recovery

We have made good progress on this and provide the case studies below to show performance achievements for each of these areas undertaken in 2018/19;

### **Greener farming & fisheries**

We have been trialling an innovative approach to agri-environment scheme delivery as part of a three year EU funded project, in partnership with the Yorkshire Dales National Park Authority. Traditionally agri-environment schemes have been based on fixed payments for undertaking specific management actions. The key characteristic of a result-based approach is that the value of the payment varies and is linked to the level of environmental outcomes achieved, not to the management inputs or actions undertaken. This focuses land managers on owning and understanding the results, rather than simply following management prescriptions, promoting genuine behaviour change and motivating them to achieve higher environmental outcomes to secure higher payments. It also gives land managers the freedom to use their own local knowledge and expertise to make management decisions to achieve results in their specific location. As payment is based on results not the actions taken, the administration burden on land managers is also reduced.

The project has tested the approach for four biodiversity outcomes (broadly equivalent to conventional scheme 'options') in upland grassland and lowland arable farming systems, assessed the environmental performance of these habitats under result-based agreements, compared the result-based approach to control sites, tested the accuracy of farmer self-assessment of results and explored land manager and stakeholder attitudes to results-based approaches. Results from the first three years have been broadly positive and the project has provided invaluable testing and insights into the challenges of adopting results-based approaches more widely. The project has now been extended for a further two years as part of Defra's 'tests and trials' programme to inform the development of the new Environmental Land Management System.

### **Sustainable development**

District level licensing is a new approach to approving development that could threaten great crested newts. Work to develop and test the concept is being funded by the Ministry for Housing, Communities and Local Government (MHCLG). It sees a move from a policy of 'least harm' to one that aims to achieve 'maximum benefit' by creating and safeguarding a network of great crested newt habitat within a district as an alternative to on-site mitigation and also significantly speeds up the assessment process for developers. Developers pay into a central fund for regional mitigation as an alternative to funding their own individual mitigation measures. Natural England-led district level licensing schemes in Kent and Cheshire have been positively received and show a healthy pipeline of interest. The first four developers to use the approach committed to invest a collective £200k for the impacts of their development and large multi-nationals are considering an additional £1-2m investment. Our external stakeholder group, the Developer Industry Group, have welcomed the scheme, and a new external Expert Panel has been convened to ensure that longer term outcomes for great crested newts are effectively monitored. District level licensing is now available across 23 Local Planning Authority areas and further expansion is planned into 2020 to cover 150 Local Planning Authorities.

This innovation won the Operational Delivery Award at the Geography in Government awards celebrating outstanding contributions to the successful delivery of public sector projects and contributions to shaping lasting and valuable outcomes for society.

## Connecting people with nature

We have used our evidence and expertise to develop the Children in Nature Programme, which has just completed its first year of a five year programme. We are working with colleagues in Defra and in the Department for Education, who are providing £10 million of funding over the five year period. The programme will help deliver the 25 Year Environment Plan commitment to *“promoting health and wellbeing through the natural environment”* and to *“encourage children to be close to nature, in and out of school, with particular focus on disadvantaged areas”* so high quality experiences in nature can help to improve:

- young people’s mental health and wellbeing
- engagement with school
- school attendance
- pupil behavior
- physical health and
- care and concern for the environment.

A consortium led by the Wildlife Trusts and involving Young Minds, Groundwork, The Sensory Trust and the Field Studies Council, was chosen in February 2019 to deliver the Nature Friendly Schools project part of the programme. The project will work with around 350 schools across England, between September 2019 and July 2022, targeting those schools with the highest proportion of disadvantaged children, special schools and Alternative Provision Institutions, including but not limited to Pupil Referral Units. Our work to date has been to set up the programme and put in place the relevant contracts to allow the initiative to proceed forwards

## Recovering nature

Since 2016, we have been working with Defra and the Joint Nature Conservation Committee (JNCC) to take stock of the habitats and species protected in existing and planned Marine Protected Areas (MPAs), to identify any gaps in England’s existing MPA network, and to advise Defra on which of the sites recommended by the regional projects could fill those gaps, or where new sites were required.

Marine Conservation Zones (MCZs) provide an opportunity to protect and enhance marine biodiversity by representing the diverse range of our marine habitats and species and ensuring that activities within these areas are managed sustainably. The network of MPAs as a whole helps to build resilience within the habitats and species they protect so that these assets are better able to respond to long term pressures and damaging human activities, and recover more swiftly from individual events such as storms and pollution incidents.

Following a public consultation on proposals to designate a third tranche of MCZs in 2018 we assessed over 1,900 individual datasets to produce advice to Defra on proposals for 28 new inshore MCZs as well as adding new features to 10 existing sites. Our work also involved provision of expert advice on activities impacting sites and dialogue with stakeholders around the implications of particular site proposals.

The designation of these sites will increase the area of MPA around England’s coastline by nearly 900,000 hectares and will complete 10 years of work by Natural England, JNCC, Defra, sea users and many others to substantially complete a network of Marine Protected Areas in English waters – a ‘blue belt’ which will protect and enhance our incredible wealth of undersea wildlife.

# Detailed Performance Analysis

## Financial commentary

This Annual Report and Accounts covers the activity and performance of Natural England for the year from 1 April 2018 to 31 March 2019. Predominantly funded by Defra grant-in-aid, our funding agreement operates within the context of the Comprehensive Spending Reviews (CSR) which HM Treasury agrees with each Government Department. 2018/19 is the third year of the CSR 2015 settlement which covers the spending plans for the period 2016/17 to 2019/20.

Natural England's original 2018/19 Grant in Aid (GiA) settlement was £74.3m. Several in year adjustments were also made for unplanned or unfunded work including additional funding for: Bovine TB; Uplands; National Nature Reserves; Air quality and EU exit, resulting in a total GiA receipt for 2018/19 of £96.3m (2017/18 £105.6m).

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

## Financial performance summary

During the twelve month period to March 2019, Natural England's total GiA drawn down was £96.3m (2017/18 £105.6m) which made up 76% of total funding. A breakdown of the remainder of income is shown in Note 4 to the accounts. Outcomes for the natural environment are delivered both directly through GiA and other income Natural England receives, and also through partnerships with other organisations which fund work for the natural environment.

Natural England is also responsible for delivering part of the Rural Development Programme for England (RDPE). On 1 October 2018, Natural England transferred 334 Payroll staff under TUPE arrangements to the Rural Payments Agency (RPA), to support this delivery. A further 380 Agency staff provided by third party contractors also transferred to support this delivery. Over the course of the full year Natural England and the RPA administered a total of £340m (£311m 2017/18) of payments to landowners and farmers for the environmental benefits delivered. This spend is accounted for by Defra and the RPA, but Natural England only incurred the administrative cost of delivery up to 30 September 2018 at which point the RPA took the lead on delivery.

The staff involved in this delivery when working directly for Natural England were funded largely from RDPE Technical Assistance (£15.6m – see note 4.2) and a small element of GiA (£1.8m). This Technical Assistance funding is classed as a grant from the EU to fund departmental spending on monitoring and evaluation of the EU's Countryside and Environmental Stewardship Schemes. Over the full course of the year, RDPE Technical Assistance funding available to be claimed for this activity was £26.7m (2017/18 15.7m), so the balance of £11.1m was available for the RPA to fund their delivery activities from 1 October 2018 – 31 March 2019. RDPE Technical Assistance funding is claimed in arrears based on actual costs incurred.

For the schemes that Natural England delivered, these were within budget, and we have continued to contribute to ongoing financial planning for the remainder of the 2014-2020 programme.



## EU Exit

On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the EU. Until the United Kingdom leaves the EU all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. The Government has negotiated with the Union on the terms of its withdrawal, and future relationship with, the Union. The terms on which the UK leaves the EU will determine what arrangements apply in relation to EU legislation in future once the UK has left the EU.

## 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 2018/19.

## 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.

## Anti-corruption and anti-bribery matters

Natural England will not accept any level of fraud or corruption. All Natural England Board Members, Chief Officers, Directors, Area Managers and staff must follow the relevant Natural England Code of Conduct, the policy 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.

Marian Spain  
Interim Chief Executive,  
Natural England

20 June 2019

## 2. Accountability Report

**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, taking over from James Cross who left the organisation on 9 November 2018, and then Alan Law as acting Chief Executive from 10 November to 2 December 2018.

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 2019, 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 2018 and March 2019, 69% (2017/18, 71%) 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 2018/19.

#### 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.

## 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, 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 2018/19

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 2018/19.

Natural England has continued to maintain effective governance and internal controls over the last twelve months. The comprehensiveness, reliability and integrity of the assurances provided from the various sources scrutinised by the Audit and Risk Assurance Committee (ARAC) during the year were appropriate for meeting the governance needs of the Board and of myself as Accounting Officer and for supporting the decisions we have taken; and that I can be substantially assured that Natural England's control, risk and governance processes have provided a sound and reasonable basis for the completion of this Governance Statement.

## 1. Board Level Governance

### 1.1 Summary of commitments/responsibilities

As a non-departmental public body (NDPB) within the Defra group we are led by a Non-Executive Board appointed by the Secretary of State for Environment, Food and Rural Affairs. The Board has collective responsibility for establishing and taking forward the strategic aims and objectives of Natural England, consistent with its overall strategic direction within the policy and resources framework determined by the Secretary of State.

The Board's role is set out in the Natural England Framework Document which was published in September 2017 as a replacement to the Management Statement and Financial Memorandum. The Board comprises the Chairman and nine other non-executive members, appointed on an individual basis and not as representatives of any organisations.

### 1.2 Areas of Board business

The Board is specifically responsible for:

- a) Establishing and taking forward the strategic aims and objectives of Natural England, consistent with its overall strategic direction within the policy and resources framework determined by the Secretary of State
- b) Setting the long-term direction for the Executive Team and the tone and pace needed to deliver the agreed strategies and plans
- c) Agreeing an Action Plan for each year that sets out Natural England's specific delivery commitments and approving the appropriate allocation of resources
- d) Receiving and reviewing regular performance information concerning the ongoing delivery of Natural England against its agreed Action Plan
- e) Ensuring that the responsible Minister is kept informed of any changes which are likely to impact on the strategic direction of Natural England or on the attainability of its targets and determining the steps needed to deal with such changes
- f) Ensuring that effective arrangements are in place to provide assurance on risk management, governance and internal control and demonstrating high standards of corporate governance at all times

- g) Ensuring that any statutory or administrative requirements for the use of public funds are complied with; that the Board operates within the limits of its statutory authority and any delegated authority agreed with Defra, and in accordance with any other conditions relating to the use of public funds; and that in reaching decisions, the Board takes into account any relevant guidance issued by Defra or by the Government more broadly; and
- h) Approval of all matters not delegated to the Chief Executive under the Natural England Scheme of Delegation

### 1.3 Data on the number of meetings and attendance at each Board meeting

The Board has met on 9 occasions in 2018/19. Standard agenda items at Board meetings include the Chief Executive’s Report (covering delivery of the Action Plan, review of risks and risk mitigation work, financial position, compliance, along with other strategic issues) and reports received from its committees. Under the Natural England scheme of delegation the Board are accountable for major decisions such as designations where there are substantive appeals. In 2018/19 two such sessions were held to approve the confirmation of two Sites of Special Scientific Interest (SSSI) notifications (Langdon Ridge SSSI and Teesmouth and Cleveland Coast SSSI). Both of the sessions (in February and March 2019) were open to the public.

Our Board receives briefing papers which support its work, and the process of assuring high quality Board papers has evolved in response to Board member feedback. Board attendance has been excellent for the year, and is shown in table 1 below;

**Table 1**

Member	Attendance (No)
Andrew Sells (Chairman)	6/6
Marian Spain	9/9
Lord David Blencathra	9/9
Sue Hartley	8/9
Simon Lyster	9/9
Henry Robinson	9/9
Teresa Dent	9/9
Jo Horwood	4/4
Catherine Dugmore	4/9*
Julia Aglionby	8/9
Andy Clements	7/9
Michael Winter	8/9

*\*low attendance due to long term absence*

In order that the Organisation benefits from the range of skills offered by Board Members, Task and Finish Groups led by Board members and including senior officers have continued to meet on a regular basis. These groups have included the Board Innovation Group and the Uplands Working Group.

#### 1.4 Board performance/effectiveness

Our Board’s performance is reviewed regularly. A recommendation from an independent review of Natural England’s governance arrangements by UKGI resulted in some changes to Board planning and processes and to the commissioning of an externally led Board Effectiveness Review, which is currently underway.

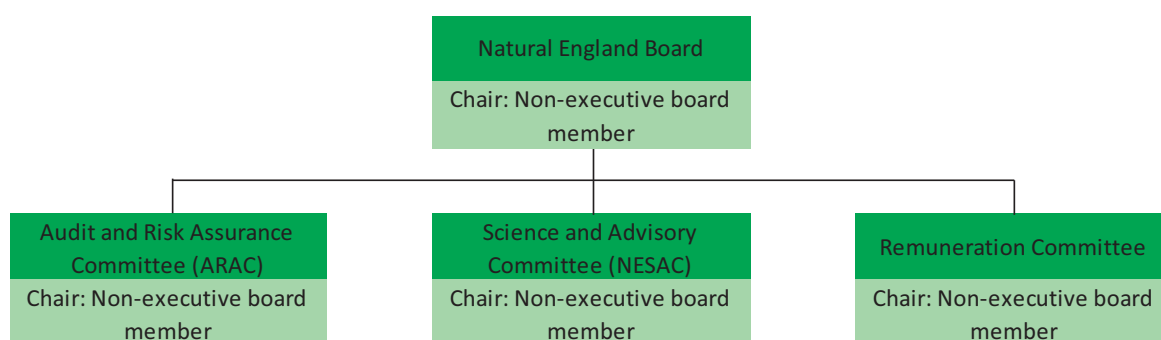
The ARAC conducted an assessment of its own effectiveness in a workshop attended by the National Audit Office (NAO) in April 2018. The conclusion of the members was that the Committee was an effective ARAC.

NESAC works closely with specific working groups and staff, as well as developing a role supporting Natural England's Chair and Chief Executive in an external facing capacity.

Natural England’s Chairman and my predecessor had reviews with the Secretary of State, during the year, where the performance of Natural England was discussed against its Key Performance Indicators. The Chairman also has his own personal performance appraisal.

We contribute regularly to the Defra group overview of performance that is presented to the Defra Board, which is chaired by the Secretary of State and provides collective strategic and corporate leadership to Defra.

#### 1.5 Natural England sub-committees



The Board has established three main committees for key business areas. All three committees are chaired by a Board member, and include at least two other Board members.

##### 1.5.1 Audit and Risk Assurance Committee (ARAC)

The ARAC, which meets on a quarterly basis, supports the Board in their responsibilities for risk management, control and governance. The Committee acts in a scrutiny and advisory

capacity and has no executive authority. It does this by reviewing the comprehensiveness, reliability and integrity of assurances. The Chairman of the ARAC participates in regular meetings with the Chairs of the Audit Committees from across the Defra group where a range of risk-related topics are discussed to ensure that Defra and Natural England have sight of any mutual issues.

With effect from 1 April 2016 the ARAC Chair was appointed as an ex officio member of Defra's Audit and Risk Committee. In addition, there are also meetings held between the ARAC Chair and the National Audit Office, the Head of Internal Audit and separately with Chief Officer for Legal and Governance, the Director of Corporate Governance and the Director of Finance.

Major areas of work considered during the financial year included:

a)	The Annual Report and Accounts for 2017/18
b)	A regular review of NE's Risk Management approach and its integration with the evolving risk management framework for Defra Group
c)	Reviewing the assurances provided to Natural England by internal and external audit, considering the results of these audits and monitoring the delivery of any recommendations.
d)	A review of the results of the annual Corporate Governance Assurance Questionnaire.
e)	Advice and oversight re the continuing Corporate Services Transformation Programme which has delivered the move to Defra Group provision of Human Resources, Finance, Communications, ICT, Commercial and Estates services to Natural England
f)	The assurance work carried out in Natural England to ensure the risk-free delivery of the RDPE schemes that the organisation supports and to demonstrate Natural England's delivery of its obligations as an RDPE delegated body, including the transfer of staff to RPA and the development of the associated Memorandum of Understanding
g)	Oversight of Natural England's Day One Readiness work for the Defra EU Exit Programme (D1R) to ensure that at exit Natural England maintains business continuity and there is no disruption to our work and services
h)	HMRC audit of employer tax liabilities

### 1.5.2 Natural England Science Advisory Committee (NESAC)

The NESAC, which meets at least five times a year, is an advisory group to our Board and has an important role in providing advice, as well as challenging and reviewing our science and evidence - demonstrating the extent to which science and evidence underpins the new initiatives within the 25 Year Environment Plan.

It also provides a link between the Board, our staff and the wider research community ensuring that Natural England is kept aware of current and emerging relevant issues in the natural and social sciences.

Major areas of work considered during 2018/19 included

- |    |  |
|----|--|
| a) | Supporting Natural England's input to development of Metrics for the 25 Year Environment Plan.     |
| b) | Advising on the development of Natural England's monitoring strategy and associated delivery work. |
| c) | Providing input on how to foster and support interdisciplinary working in Natural England.         |
| d) | Advising on developing an evaluation approach for long-term upland plans                           |
| e) | Reviewing the evidence supporting strategic licensing for great crested newt                       |
| f) | Providing ongoing advice on developing an eco-metric for tracking Net Gain.                        |

### 1.5.3 Remuneration Committee

The Remuneration Committee's main objective is to consider matters relating to the pay or remuneration of myself, as Chief Executive, the Chief Officers and our employees. It meets a minimum of twice a year and a report on the Committee's business is provided to the Board.

## 2. Executive Level Governance

### 2.1 Summary of commitments/responsibilities

My appointment is the responsibility of Natural England's Chair and I am responsible for appointing the senior executive officers (known as "Chief Officers") who report to me (collectively "the Senior Leadership Team"). I have been employed as Natural England's interim Chief Executive and Accounting Officer since December 2018.

As Accounting Officer I am personally responsible for: regularity and propriety, affordability and sustainability, value for money, control, management of opportunity and risk, learning from experience and accounting accurately for the organisation's financial position and transactions.

The normal process is that the Chief Executive's performance objectives are agreed with the Board and then reviewed by the Chair. As Interim Chief Executive, I have agreed short term objectives with the Chair and Deputy Chair for the next twelve months. I set the performance objectives for the Chief Officers, progress against which are evaluated in regular performance reviews.

## 3. Internal controls

The Natural England Senior Leadership Team (SLT) assists me in carrying out my responsibilities as delegated to me by the Board. It makes decisions on the day-to-day running of the organisation and organisational planning. It provides leadership to the organisation in setting plans, reviewing performance and ensuring resources are allocated accordingly. It also has oversight of staff wellbeing.

I and Chief Officers meet weekly and are supported at meetings by the Director of Corporate Governance. Senior Leadership Team meetings cover performance, health and



safety and wellbeing, strategy, operations and risk management, including legal and reputational risks as well as advising me in taking decisions that are my responsibility under the Schemes of delegation.

### 3.1 Summary of commitments/responsibilities

As Accounting Officer, I have responsibility for reviewing the effectiveness of internal control. This review is informed by the Senior Leadership Team, Directors, Area Managers and Leaders who are responsible for the development and maintenance of the internal control framework. Specifically after the conclusion of each financial year I request and receive personal statements from my Senior Managers that note any potential breaches to management controls over the course of the financial year. This is supported by the work of Internal Audit, comments made by external auditors in their management letter and other reports and advice from the ARAC and Board. The Head of Internal Audit (HIA) provides an annual opinion, based on a range of formal reviews, of the effectiveness of Natural England's risk management, control and governance.

### 3.2 The Internal Audit programme

Natural England's Head of Internal Audit works with the Chief Executive, SLT and with Directors/Area Managers to develop an annual audit programme based on a review of key risks from our risk register, Defra group risks and an analysis of key business areas and core processes.

The prioritised list of audits is regularly reviewed throughout the year to ensure assurances are being sought on the right things at the right time, given available resources. The internal audit service provides regular reports to SLT and ARAC on its programme, recommendations and their implementation.

### 3.3 Results of internal audits

Of the 11 internal audits carried out in 2018/19, two resulted in a substantial level of assurance, with six moderate, two limited and one follow up where no opinion was provided. The limited audit opinions were in relation to Records Management and Health and Safety. For all audits a management action plan was prepared and agreed to address the risks identified.

A number of cross cutting audit reviews with joint input from organisations across the Defra Group have identified opportunities to further improve controls which impact upon Natural England. On the basis of the evidence from all of these audits, the Head of Internal Audit has reported an overall moderate opinion meaning there are some improvements required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

Natural England is an organisation which strives for continuous improvement and initiates reviews where performance has fallen short of expected standards, allowing us to learn lessons and ensure that the resulting specific actions and recommendations are systematically followed up. Completion of actions from key issues is both monitored and reported to management, to the ARAC and to the Board as appropriate.

### 3.4 Results of internal assurance conversations with teams

A Corporate Assurance Map (CAM) is used to track and monitor the various assurances received by ourselves, both internally and externally. The CAM acts as an aid to understanding how the organisation obtains assurance over its key risks and compliance requirements. For 2018/19, the CAM reflects insights from our teams, our risk management processes, our internal audit programme and external benchmarks.

A fundamental input to our CAM is the annual internal Corporate Governance Assurance Questionnaire (CGAQ) which is completed by all teams within Natural England. Teams are required to make an evidence-based assessment of the adequacy of the control framework that has been in place throughout the period, highlighting any areas of weakness and identifying improvement action plans where applicable. The results from these statements form part of the review of compliance by the ARAC and myself as Accounting Officer.

The overall results of the 2018/19 Corporate Governance Assurance Questionnaire process indicate that the control framework is adequate. This gives us a high level of assurance from the business on the efficacy of the control environment and we are continuing to support teams through regular interaction.

### 3.5 Results of Defra Group benchmarking

As a member of the Defra Group, Natural England benefits from the opportunity to benchmark processes with partner organisations. One example of this related to our work within Defra Group in the development of the new Defra Counter Fraud Policy and Strategy. Through the Group we developed and tested our submission to the Government Counter Fraud Functional Standards exercise and the evidence from this demonstrates that our controls in this area are working. There were no significant cases of fraud or irregularity identified in 2018/19.

### 3.6 Transfer of Agri Environment transaction hub

During the year, the agri environment transactional hub successfully transferred to the Rural Payments Agency. The transition was overseen by a Programme Board consisting of representatives from across the Defra Group. The Board oversaw the details relating to operational risks, funding, resources and timetable. Natural England's Audit Risk and Assurance Committee also played a key role in the steering oversight of the transition. In the longer term, governance issues will be managed through a Memorandum of Understanding (signed June 2019) between Forestry Commission, Rural Payments Agency and Natural England.

## 4. Defra Group Corporate Services

### 4.1 The Delivery Model

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

All corporate services that Natural England take from the Defra Group are managed by Defra, with group Heads of Function responsible for the delivery of an effective quality of service. The scope of the services will be agreed with Natural England through a

Partnership Agreement or similar mechanism to ensure that the service meets the needs of, and adds value to, Natural England's Board and Accounting Officer.

As interim Chief Executive I have an accountability, captured in Natural England's Framework Document, to ensure that we have a clear agreed framework for our relationship with core Defra in its capacity as the provider of the key corporate services that Natural England requires in order to deliver its statutory duties and meet the commitments in the annual Action Plan. This is currently being delivered through the construction of a Corporate Services Partnership Agreement that will succeed the current Memorandum of Understanding that is in place with Defra.

## 5. Business Planning and Risk Assessment

### 5.1 Summary of commitments/responsibilities

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.

We have adopted and implemented policies and practices to safeguard ourselves against fraud, error, bribery, money laundering and theft, in line with the Treasury's guidance and have taken all reasonable steps to appraise the financial standing of any firm or other body with which we intend to enter into a contract or to give grant or grant-in-aid.

### 5.2 The Business Planning process

Natural England's planning framework encompasses activity planning, resource allocations and performance metrics. Planning and allocations set out the 'what?' and the 'how much?'

The monthly performance process is the 'check' that we are doing what we planned to do, and in turn helps determine appropriate actions. This is all undertaken within the overarching Defra planning framework, with the aim of providing a line of sight from organisational action plans through to the Defra Strategy

### 5.3 Self-assessment/Defra Group benchmarking on risk management

Every year we conduct a risk management maturity model review of our processes. These have shown year on year improvements and our current assessment is at a level 4 with 5 being the highest attainable. The direction of travel on our key risk areas regularly features on the Board's agenda.

## 6. Key issues and risks

We continue to follow a consistent approach to risk management across the organisation as set out in our risk strategy. We also continue to work with the Defra Group to establish and embed greater integration, including common language and escalation processes, for risk management.

During 2018/19 six corporate risks and issues have been identified and managed in line with our Risk Control Framework.

## 6.1 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 inequities in pay across the Defra group will lead to a continuing decline in staff wellbeing and morale.

The 2018 staff survey reported an Employee Engagement Index score at 52, a reduction of 7 points from the 2017 score of 59, and well below the Civil Service benchmark of 62.

We have therefore instigated a new People Strategy. This will provide a cohesive approach to a range of issues raised by staff, including wellbeing and resilience, our employee offer and career development, and our approach to change, in order to create an inclusive, empowered and flexible workforce. We have also increased our focus on mental wellbeing, following a significant rise in reporting of stress related ill health. In April 2018 Natural England was awarded a Bronze standard at the MIND Wellbeing Awards for the progress made in developing and implementing initiatives promoting positive mental health for staff. Building on this we are now seeking 'Gold' accreditation for workplace wellness with MIND, through their Workplace Wellbeing Index Survey. At the same time we are addressing the underlying causes of stress, including workloads and a perception of lack of empowerment for many staff.

## 6.2 Relationship with Stakeholders

There is a risk that a lack of a coherent narrative about how Natural England fulfils its objectives within the Defra group impacts on the trust of stakeholders. A long term plan for the organisation is not in place, and coupled with the changes driven by budget reductions, stakeholders do not always support Natural England's choices and overall portfolio of work. This can lead to less collaboration, ongoing public criticism of our work (and of the things we are not doing), and poorer delivery of environmental outcomes.

Throughout the year we have continued to develop our stakeholder relationship management plans and have allocated specific resource to actively manage and embed the value of our high priority relationship work. The appointment of our interim Chief Executive late in 2018 provided the opportunity to reinvigorate external engagement and begin the process of rebuilding trust in Natural England. The appointment of our new Chair will also provide additional opportunity to re-start our high priority relationships. We are also turning our attention to more direct communication about our future role and our priorities now, starting with publication of a plan setting out our priorities for 2019/20, linked to the Government's 25 Year Environment Plan and our own Conservation Strategy.

## 6.3 Budget Settlements

As a result of the 2015 Spending Review, Natural England's Grant in Aid has reduced by 47% over the last five years. This has resulted in a significant change in what we do and how we work, in some cases resulting in the deterioration of staff wellbeing and stakeholder trust described above. In 2018/19 an in year budget cut meant that there was a significant risk that we would not achieve a balanced budget by year-end. To mitigate against this a number of measures were put in place, including a recruitment freeze, internal assignment of staff into roles delivering against priority activities and more significantly the secondment

out of the organisation, and into Defra, of 53 staff to work on EU Exit activities. The reductions in our budget have also seen an increase in criticism from stakeholders and partners as we have had to prioritise delivery.

Recognising the possibility of further budget cuts we have changed our approach to Business planning in 2019/20 to help better allocate resources and staff to our outcomes. We continue to look at ways to increase and diversify our income base, be this through fees and charges (Discretionary Advice Services), successful grant applications (Heritage Lottery Fund) or working with partners.

#### 6.4 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. We had 547 incidents reported in 2018/19, none of which were “RIDDOR”. However, 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 has been developed which will provide a clear vision and concise risk management process to be implemented across the organisation.

Some of the key actions being put in place following 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.

#### 6.5 Increased Litigation

There is a risk that increased external legal action (for example litigation financed by crowd funding and social media campaigns) will increase costs, divert resources and reduce our ability to invest across our statutory remit.

To mitigate against this risk we are reviewing the resource allocated to our Legal team as well as engaging proactively with interest groups and to more constructively address areas of potential conflict and challenge.

#### 6.6 EU Exit Operational Readiness/ No Deal

There was 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 have been implemented will mean that we will work in much the same way as we have done previously ensuring that, at the day of EU Exit, our business continues without disruption and our guidance does not mislead our customers. In our No Deal planning we have prepared a long list of potential risks. It's also

important to note however, that we are not a first responder organisation, so our preparation and response is proportionate to our role. We have though put considerable effort into ensuring that any impacts on the environment, our role, and our staff (workload and wellbeing) are minimised.

All of the actions taken mean we were ready for any outcome that may have materialised on 29 March 2019, and our ongoing planning means we anticipate being ready for any crucial dates in 2019/20.

## 7. Control Issues

- 7.1 There are some areas where in 2018/19 we have identified shortfalls in control and have taken action to address these shortfalls and to learn from them.
- 7.2 A member of Natural England staff noted an issue which could have represented a data breach relating to a system used by a large majority of the Defra Group to administer payments, receive income and maintain staff records. The issue which related to access to staff records was reported to Defra who escalated it to the Information Commissioner's Office. The issue was immediately rectified and the Information Commissioner's Office have confirmed no further action is required and as a result the matter is now closed.
- 7.3 A legal challenge to the way that Natural England fulfils part of its delegated wildlife management function exposed a legal gap in the process followed, which we could not defend in court. The system of General Licences was developed by the Ministry for Agriculture, Fisheries and Food in the 1990s. Since then, Natural England has continued to re-issue the General Licences relatively unchanged, on an annual basis with minor amendments informed by periodic consultation with stakeholders.

The challenge meant we had to revoke three of the general licences for controlling certain wild birds in early April 2019.

This case has exposed the possibility that there may be other long standing practices which may be challenged. A review of our licensing and other work is underway to ensure the necessary controls are in place. The review has not concluded at the time of making this report.

Responsibility for issuing further General Licences returned to Defra in May 2019.

## 8. Concluding statement

- 8.1 I was appointed as interim Chief Executive and Accounting Officer on 3 December 2018. I have met with the Chief Legal and Governance Officer, the Defra Group Chief Internal Auditor, Chair of the Audit and Risk Assurance Committee the Director of Finance and the acting Chief Executive, to receive assurances that a sound system of internal control had been in place during 2018/19. My review has further been informed by the work of 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** - 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 current interim Chief Executive is employed on a fixed-term contract which runs to June 2020 and all of the Chief Officers except for one are employed under permanent contracts which are open-ended. One Chief Officer is employed on a temporary contract until September 2019. 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 bonus of up to 15% of their current salary. However the Group operates under the Cabinet Office's Senior Civil Service pay principles which restrict such awards to 25% of that population. 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 made in July 2018, (relating to 2017/18), five non-consolidated performance bonus were paid to Directors and there was one non-consolidated performance bonus paid to the Senior Leadership Team. Total payments were £44k and of these one related to the Senior Leadership Team and is included in table 2. No Benefits in kind were paid in 2018/19.

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	2018/19 Remuneration £000	2017/18 Remuneration £000
Andrew Sells (Chairman – left 18/01/19)	45 - 50 <sup>Note 2</sup>	60 - 65
William Cockbain (left 31/3/18)	-	10 - 15
Nigel Reader CBE (Left 31/5/18)	0 - 5 <sup>Note 1</sup>	10 - 15
Joe Horwood (Left 30/9/18)	5 - 10 <sup>Note 1</sup>	10 - 15
Andy Clements	10 - 15	10 - 15
Simon Lyster	10 - 15	10 - 15
Teresa Dent CBE	10 - 15	10 - 15



Board Members	2018/19 Remuneration	2017/18 Remuneration
	£000	£000
Julia Aglionby	10 - 15	10 - 15
John Varley OBE TD (left 30/4/17)	-	0 - 5 <sup>Note 1</sup>
Michael Winter OBE	10 - 15	10 - 15
Rt Hon Lord David Blencathra (from 11/3/18. Acting Chairman from 19/01/19)	20 - 25 <sup>Note 3</sup>	0 - 5 <sup>Note 3</sup>
Catherine Dugmore (from 11/03/18)	10 - 15	0 - 5 <sup>Note 1</sup>
Prof Sue Hartley OBE (from 11/03/18)	10 - 15	0 - 5 <sup>Note 1</sup>
Henry Robinson (from 11/03/18)	10 - 15	0 - 5 <sup>Note 1</sup>
Marian Spain (from 11/03/18 to 02/12/18)	5 - 10 <sup>Note 4</sup>	0 - 5 <sup>Note 1</sup>

Notes:

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

## Table 2: Natural England Senior Leadership Team Remuneration

The salaries reported are actual expenditure incurred in the year, 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:

	2018/19				2017/18			
	Salary £'000	Perf Related Pay £'000	Pension Benefits £'000	Total £'000	Salary £'000	Perf Related Pay £'000	Pension Benefits £'000	Total £'000
<b>Chief Executive:</b>								
James Cross Left 9//11/18 Note 1	95-100	10-15	44	150- 155	140-145	10-15	41	195- 200
Marian Spain From 3/12/18 Note 2	40-50	-	15	60-65	-	-	-	-
<b>Chief Officers:</b>								
Guy Thompson (Operations) Left 16/2/18 Note 3	-	-	-	-	90-95		30	120- 125
Paul Lambert (Transformation) Left 28/2/18 Note 4	-	-	-	-	145-150	10-15	31	190- 195

	2018/19				2017/18			
	Salary	Perf Related Pay	Pension Benefits	Total	Salary	Perf Related Pay	Pension Benefits	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Alan Law (Strategy and Reform) Note 5	105-110	-	58	160-165	100-105	-	83	180-185
Tim Hill (Science and Evidence)	90-95	-	29	120-125	90-95	-	38	125-130
Julie Lunt (Legal and Governance) Left 29/3/19 Note 6	85-90	-	36	125-130	90-95	10-15	63	160-165

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 £100-£105k in 2017/18
- 4) Full Year salary £155-£160k in 2017/18
- 5) 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)
- 6) Full Year salary £85-£90k in 2017/18 but paid late arrears of salary, relating to previous year, which moved her into the next pay bracket.  
Full Year salary £90-£95k in 2018/19  
Performance related pay paid relates to performance in the prior year. No Benefits in kind were paid in either 2017/18 or 2018/19.

Compensation for loss of office

James Cross, the former Chief Executive left under Voluntary Exit terms on 9 November 2018. He received a compensation payment in the range of £75–80k, this sum is not included in the above Table 2 remuneration totals.

## 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.

	2018/19	2017/18
Banded remuneration of the highest paid earner in the Natural England	£125,000 - £130,000	£155,000–160,000
Median remuneration	£30,931	£26,359
Ratio of remuneration of highest paid director to median remuneration of the workforce	4.04	6.0
The range of banded remuneration for employees in Natural England	£5,000–£10,000 to £125,000–£130,000	£5,000–£10,000 to £155,000–£160,000

In 2018/19 the employees receiving the lowest pay in the range are apprentices employed under Life Projects.

The drop in the ratio is due to a change in the highest paid earner and the transfer of staff and agency staff at the lower end of the salary scale to RPA.

## 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	Real increase in pension and related lump sum (LS) at age 60	CETV at	CETV at	Real increase in CETV
	31 March 2019 £'000	£'000	31 March 2019 £'000	1 April 2018 £'000	£'000
Chief Executive:					
Marian Spain	0 - 5	0 - 2.5	12	-	9
James Cross	40 - 45	0 - 2.5	600	496	22
<b>Chief Officers:</b>					
Guy Thompson	-	-	-	281	10
Paul Lambert	-	-	-	495	25

Pension Benefits - Chief Executive & Chief Officers	Total accrued pension at age 60 and related lump sum (LS) at	Real increase in pension and related lump sum (LS) at age 60	CETV at	CETV at	Real increase in CETV
	31 March 2019 £'000	£'000	31 March 2019 £'000	1 April 2018 £'000	£'000
Tim Hill	35-40 plus lump sum of 85-90	0-2.5 plus lump sum of 0	687	593	12
Alan Law	35-40 plus lump sum of 90-95	2.5-5 plus lump sum of 0-2.5	736	623	39
Julie Lunt	15-20	0-2.5	305	250	21

## 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 (CSOPS) known as “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 career average 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 a panel of providers. 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.

## The real increase in the value of the 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)

There was one voluntary redundancy in year. Details of this and 2017/18 can be seen in the table below:

Exit package cost band	Total number of exit packages by cost band	
	2018/19	2017/18
<£10,000	-	-
£10,000 - £25,000	-	-
£25,000 - £50,000	-	-
£50,000 - £100,000	1	1
£100,000 - £150,000	-	-
£150,000 - £200,000	-	-
<b>Total number of exit packages by type</b>	<b>1</b>	<b>1</b>
<b>Total resource cost (£000)</b>	<b>79</b>	<b>60</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 the department has agreed early retirement, the additional costs are met by the department 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 2019	31 March 2018
	£000	£000
Permanent & Fixed Term Appointments salaries and allowances	59,441	60,096
Employer Superannuation Payment	12,011	12,059
Partnership Pension Contributions	147	188
Permanent & Fixed Term Appointments social security costs	5,847	5,891
Apprenticeship Levy (Note a)	296	298
Agency and temporary staff	6,531	6,860
Inward secondees	693	428
Temporary staff social security	74	188
Temporary staff superannuation	166	402
Other staff costs	163	202
Early retirement and severance costs	79	60
Less recoveries in respect of outward secondments	(2,968)	(879)
<b>Total</b>	<b>82,480</b>	<b>85,793</b>

### Notes:

- a) The Apprenticeship Levy, introduced in April 2017 requires employers with an annual pay bill in excess of £3m to pay an annual levy based on total percentage of total payroll costs. The levy is collected through the PAYE system by HMRC, and is then available through a Digital Apprentice Service for a two year period to fund approved training for Apprentices. Income received through NE's Digital Apprentice Service for training is recognized as grant income in line with associated expenditure (see note 4.2).
- b) 334 Payroll and 380 Agency staff transferred under TUPE arrangements to the Rural Payments Agency on 1 October 2018. The above figures therefore only include staff costs for these staff for the six month period 1 April to 30 September 2018.
- c) Income for secondees has increased significantly in 2018/19 due to Natural England seconding 53 staff members to Defra to work on EU Exit activities.

## 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 2019	31 March 2018
	Number	Number
<b>Permanent staff &amp; Fixed Term Appointments</b>		
Executive/Director	16	18
Manager/Principal Specialist/Adviser	165	163
Team Leader/Senior Specialist/Adviser	488	480
Group Coordinator/Lead Adviser/Specialist	770	764
Adviser/Support Adviser	480	533
	<b>1,919</b>	<b>1,958</b>
<b>Temporary and contract staff</b>		
Executive/Director	1	1
Manager/Principal Specialist/Adviser	3	1
Team Leader/Senior Specialist/Adviser	1	2
Group Coordinator/Lead Adviser/Specialist	7	10
Adviser/Support Adviser	240	304
	<b>252</b>	<b>318</b>
<b>Total</b>	<b>2,171</b>	<b>2,276</b>

### Note:

As this is average staff numbers over the full year it does not clearly reflect the transfer of staff to the RPA. This is because staff working on Countryside Stewardship and Environmental Stewardship gradually built up in numbers over the first six months of the year due to increased Technical Assistance funding of £26.7m being available in 2018/19 compared to 2017/18 (£15.7m) to fund these work activities. Staff numbers at 1 April 2018 were 2,468 fte, at 31 March 2019 these had reduced to 1,786 fte. This reduction of 682 is largely attributable to the transfer of staff to the RPA.

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

	31 March 2019 Headcount	31 March 2018 Headcount
Chief Executive (SCS 3 equivalent)	1	1
Chief Officers (SCS 2 equivalent)	2	3
Directors (SCS 1 equivalent)	13	12
<b>Total</b>	<b>16</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 19 extracted from the corporate HR management system:

### Gender Split (by headcount)

Gender Split	Male		Female	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Non-Executive Directors	5	9	4	5
Management Staff (SCS grade or equivalent)	11	11	5	5
All other employees for the Defra group	826	1,001	1,051	1,280
<b>Total</b>	<b>842</b>	<b>1,021</b>	<b>1,060</b>	<b>1,290</b>

Key to addressing the gender pay gap in Natural England will be improving the progression of women's careers to more senior roles and increasing the number of women in the main feeder group of Manager / Principal Specialist and Principal Adviser (currently around 41%). Actions in train are the participation in Civil Service talent programmes (recently opened up to Non Departmental Public Bodies) such as Positive Action Pathways (for under-represented groups) and Crossing Thresholds (a career development programme for Women). Natural England's own Future Leadership Programme (run annually) already attracts a predominantly female cohort. Natural England also runs a mutual mentoring scheme and has excellent flexible working arrangements in place to accommodate Carers or working mothers. The gender champion and supporting network is furthering and promoting women's interests and are critical to building a better understanding of and finding ways to meet the support women say they want to progress their careers. Natural England is continuously looking at and drawing on best practice across the Defra group and wider Civil Service to support women. Through their Human Resources EDI expert Natural England has engaged with other Defra group EDI experts and networks to identify key issues, potential solutions and how they can be progressed. Natural England's EDI Steering group is currently reviewing these with a view to agreeing priorities (for Natural England). These will then form Natural England's action plan.

## Staff split by age (by headcount)

16-19	20-29	30-39	40-49	50-59	60+	Total
-	169	366	623	586	158	1,902

## Diversity and Inclusion

Natural England information as at 31 March 2019 shows 9.24 percent of the overall workforce is made up of employees who identify themselves as disabled, 2.01 percent who identify themselves as from an ethnic minority and 3.17 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	16.09%	3.45%	2.30%
Adviser	11.15%	3.50%	6.05%
Lead Adviser/Group Coordinator/ Specialist	8.71%	1.39%	2.27%
Team Leader / Senior Adviser / Senior Specialist	9.00%	1.57%	2.94%
Manager / Principal Adviser / Principal Specialist	5.78%	2.31%	3.47%
SCS	6.25%	6.25%	0.00%
Organisational Average	9.24%	2.01%	3.17%

Natural England supports and embraces the Defra group Equality, Diversity and Inclusion (EDI) strategy and inclusion (launched in January 2017), respect and fair treatment remain fundamental to making Natural England a great place to work. We have a delivery plan, built around the EDI Strategy's four themes of respect, include, support and engage, in place which focusses on improving the capability, capacity and confidence of all our people.

Alongside Defra we are working to improve declaration rates, promote inclusive behaviours, tackle discrimination, bullying and harassment, and improving career support for under-represented groups. Declaration rates remain fairly low despite an annual campaign and frequent requests to complete.

Natural England achieved Disability Confident level 2 in 2017 and was re-accredited in 2018, we are now preparing a submission for Level 3 – leader accreditation.

Over the last year, Natural England has rolled out a workplace adjustment passport (My Passport) in which an employee can capture any and all agreed workplace adjustments whether they be related to a disability or impairment, to another protected characteristic or to support their health and well-being. To give further support to employees and to their line managers we have established a Workplace Passport Advisory Panel to advise line managers on requests from their team members for workplace adjustment(s) and to unblock where people are not succeeding in getting appropriate and reasonable adjustments in place.

We have also published our gender pay gap and, working with the gender network, are working to close the gap. We have seen an increase of representation of our underrepresented groups and continue to drive progress in this area, e.g. through our recent launch of a 'Project Race' placing

an increased focus on improving representation, retention and engagement of black and ethnic minority employees.

In 2018/19 we have used two benchmark measure our performance in terms of support and action to people from protected characteristics: firstly Stonewall (LGBT+) and, secondly the MIND well-being index. We did not fare well in the Stonewall assessment being ranked 420 out of 445 organisations assessed. We are, however designated as a 'Diversity Champion' through our partnership with Stonewall and appear in their Starting Out – their national careers guide for students, graduates and job seekers, showcasing LGBT-inclusive employers. The LGBT+ champion with staff activists and HR are using recommendations from the assessment to action plan, which includes a review and revision of a number of HR and other policies. We achieved a Bronze award from the MIND assessment and plans re in place to move towards a GOLD award in 2019/20.

Natural England does not have its own employee networks but has agreement from EA for NE people to join its various networks supporting people with disabilities, impairments or long term health conditions. Natural England has also joined Defra's Ethnic Minority Network, is actively supporting Project race and is a member of Defra's Experience and Age Network (DEAN). We do have champions, all of whom are senior leaders and they have small groups of staff volunteers who work with them.

### 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 once open to NDPBs. 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.

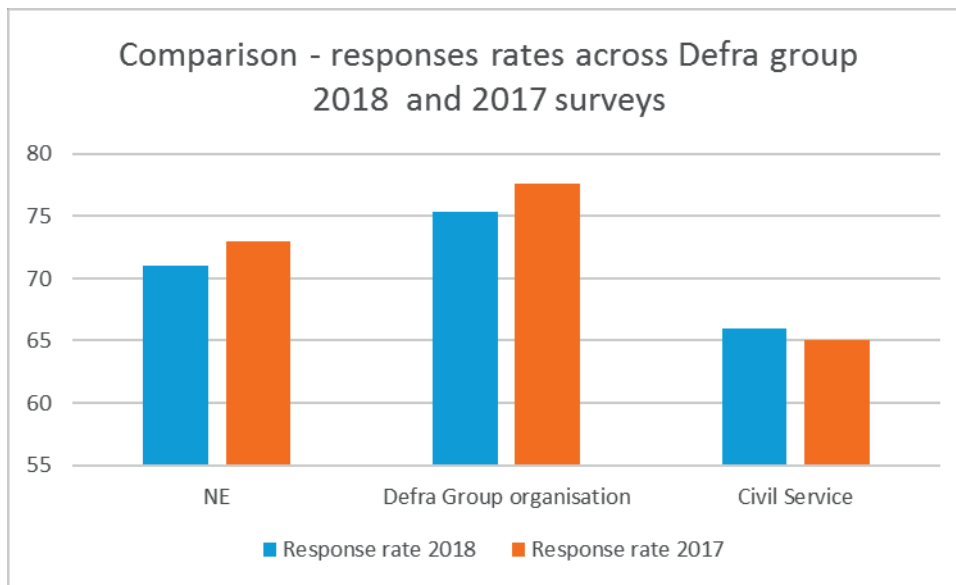
Natural England operates a guaranteed interview scheme, which guarantees an interview to anyone with a disability whose application meets the minimum criteria for the post. Once in post, people with disabilities are provided with reasonable adjustments they need to carry out their role.

### 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 2018 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 slightly lower than in 2017 (71% this year, 73% in 2017).

The Staff Survey 2018 response rates are shown in the graph below, for comparative purposes data has also been included for the Defra group and the whole of the Civil Service;



The Employee Engagement Index dropped by 7.5 points to 51.8 and each Engagement question had fewer positive responses with reductions ranging from 2.6% (*I feel a strong personal attachment to Natural England*) to 23.1% (*I would recommend Natural England as a great place to work*).

The number of people who said that they had experienced bullying and harassment rose from 102 (6.22%) to 114 (8.27%) and those who experienced discrimination from 59 (3.6%) to 114 (8.27%) - free text comments suggest that there is a direct link to assignments (the way Natural England move people on a level basis to priority work).

People are less convinced that Natural England will take action to address the results of the survey (a drop of 12%) - this response is consistent with responses across Defra group.

Leadership and change: SLT's visibility has risen by 2%, the visibility of Directors has fallen by 43% - the questions asked this year are slightly different, this may in part explain the drop. People also do not feel involved in decisions, in change which affects their work and believe that Natural England does not manage change well.

More positively people remain very interested in their work, have pride in what they achieve, have the right skills to do their job and recognise the actions we have taken to improve well-being BUT they expect and demand more. People were also very positive about the growing support in place for their well-being and mental health, greater openness and space to talk were two reasons given.

For the first time Natural England's social scientists provided some qualitative analysis of the free text responses to four questions, which proved insightful, confirmed messages being given to SLT in various forums (Hot Seats, out and about visits). They listed six feedback themes covering issues such as clarity of purpose, priorities and a 'golden thread' and independence from Defra; people feeling undervalued – pay being a key driver but also poor equipment, offices and systems and assignment; people wanting greater visibility of SLT and Directors but wanting to see senior

leaders 'fighting' for them – and the natural environment; whilst proud their colleagues, 'world-class' expertise and passion, pride in the organisation has been eroded; a lack of career and pay progression, feeling undervalued; people appreciated the recent effort put into well-being by SLT and line managers but are wanting more.

The qualitative data helped SLT to identify four key areas for action;

1. Organisational objectives and purpose. How people fit into the wider organisation and how NE relates to Defra.
2. Change management and leadership.
3. Line management actions: improving line management capability, health and safety, managing workloads and wellbeing taking a more holistic approach including integration with organisational strategy.
4. 'Employee offer'. Addressing peoples overall feeling about their value and career opportunities – capturing pay, recognition and career development.

The results of the survey were shared with Natural England's Board who asked for a detailed plan of action to be urgently drawn up and implemented. This is now in hand in the form of a comprehensive People Strategy which brings together strategies such as the workforce strategy, the capability development plan, the Equality, Diversity and Inclusion strategy and the wellbeing action plan and is also our response to feedback received in last year's staff survey. The People Strategy will be underpinned by work streams which set out clear implementation plans, timescales and measures of success (for example, workforce plans, capability development plans). These work streams will be overseen by the Natural England People Group who will provide important oversight to keep delivery of the People Strategy on track and properly aligned to our business priorities and objectives.

## Employee Wellbeing

In anticipation of a challenging year, a dedicated wellbeing position was recruited from 1 April 2018. Over the year there have been a significant transfer of staff to the Rural Payments Agency, 53 secondments to Defra to support EU Exit, and a large re-structure through assignments.

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 2018/19 through shared contracts for our Employee Assistance programme, Occupational Health Service, and Corporate Eye Care contracts. Additionally, Health and Wellbeing Kiosks (enabling employees to measure their weight, BMI, blood pressure etc) visited thirty three Defra group workplaces between October and December 2018.

The Defra group Wellbeing Forum (with members from twelve Defra group organisations) meets regularly to discuss plans, priorities and shared campaigns. Campaigns are aligned to national and Civil Service themes with initiatives such as webinars, workshops, blogs and site events offered to raise engagement and awareness of wellbeing topics. This year Defra group Senior Civil Servants and Grade 6/7's attended a Wellbeing Confident Leaders session (a new approach being rolled out Civil Service Wide by Health and Wellbeing Champion) at their annual conferences in

October. In Natural England a further 80 People Leaders were trained between October and December including the Director Delivery Group.

Natural England has grown its Well-Ment Network to include champions for wellbeing and mental health across our twenty five office locations, and trained 25 employees as Mental Health First Aiders, in addition to our Buddy and Time to Talk call services.

## Managing Attendance

For Natural England, an average of 3.35 working days per employee was lost to sickness absence during the year to 31 March 2019 (The average was higher at the beginning of the year, but managed down to this level), compared with 4.04 days in the year to 31 March 2018. This figure compares favourably to other organisations within the Defra group (4.9 to 7.8), core excluded (2.4) and to the wider Civil Service (6.8) and the public sector (8.5).

## 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)
43	2

Table 2 – Percentage of time spend on facility time

Percentage of time	Number of employees (Headcount)
0%	0
1%-50%	43
51%-99%	0
100%	0

Table 3 – Percentage of pay bill spent on facility time

	£'000
Total cost of facility time	67
The total pay bill	59,441
The percentage of the total pay bill spent on facility time	0.11%

Table 4 – Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours.	4.64%
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## Consultancy expenditure

Strict spending controls were introduced by Cabinet Office in 2010, including the use of consultants. In line with this, all spend on consultancy is formally approved via a Spending Review Panel. During the period from April 2018 to March 2019 there was £5k (£54.5k in 2017/18) 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 2019, for more than £245 per day and that last longer than six months:

	Number
No. of existing engagements as of 31 March 2019	1
of which:	
No. that have existed for less than one year at time of reporting	1
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 2018 and 31 March 2019 for more than £245 per day and that last longer than six months:

	Number
No. of new engagements between 1 April 2018 and 31 March 2019 of which:	1
No. assessed as caught by IR35	1
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 2018 and 31 March 2019:

	Number
No of off-payroll engagements of board members and/or senior officials with significant financial responsibilities during the financial year.	1
Total number of individuals on payroll and off payroll that have been deemed "board members, and/or senior officials with significant financial responsibility", during the financial year. This figure should include both on-payroll and off-payroll engagements.	8



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

## Regularity of Expenditure (Audited)

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. licences, 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) and to complement this we also have an ongoing internal audit programme, conducted by RSM UK. 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.

All of the above gives Natural England confidence that its Finances are being handled with regularity.

For 2018/19, we can report that there were no losses, special payments or gifts incurred which exceeded £300k.

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.

## 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 and growing uptake of 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. In the period April 2018 to March 2019 we have generated £4.2m of income from commercial services (2017/18 £3.2m), 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". See note 4 for further details.

Looking ahead, 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.

## 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 2018/19 is £115k (2017/18: £107.5k). From 2017/18, 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.

Marian Spain  
Interim Chief Executive

20 June 2019

# 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 2019 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 2019 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.

## 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

We are required to conclude on the appropriateness of management'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 for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's 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 auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

## 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 audit, 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 consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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, other than 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 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**

**28 June 2019**

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

### 3. Financial Statements

#### Statement of Comprehensive Net Expenditure for the period ended 31 March 2019

	Note/Ref	<b>31 March 2019</b>	<b>31 March 2018</b>
		<b>£000</b>	<b>£000</b>
			<b>Represented</b>
Revenue from contracts with customers	4	(5,972)	(4,613)
Other operating income	4	(24,349)	(23,249)
<b>Total income</b>	4	<b>(30,321)</b>	<b>(27,862)</b>
Staff Costs	3	82,480	85,793
Other Costs	3	10,798	9,959
Depreciation, Amortisation and Impairment	3	5,614	3,973
Other Non Cash items	3	26,176	32,370
Grants and Subsidies	3	4,783	7,040
Programme expenditure	3	11,201	12,226
<b>Total operating costs</b>		<b>141,052</b>	<b>151,361</b>
<b>Net operating costs</b>		<b>110,731</b>	<b>123,499</b>
Interest receivable		(11)	(12)
<b>Net expenditure after interest</b>		<b>110,720</b>	<b>123,487</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	530	(1,097)
Revaluation of Heritage assets	6	149	(6,033)
Pension actuarial movements	12	162	(10)
<b>Total comprehensive net expenditure for the year</b>		<b>111,561</b>	<b>116,347</b>

The accounting policies and notes on pages 55-80 form part of these financial statements.

Prior year figures have been represented due to Natural England's adoption of IFRS 15, Revenue from contracts with customers from 1 April 2018.

# Statement of Financial Position as at 31 March 2019

	Note	31 March 2019 £000	31 March 2018 £000
<b>Non-current assets</b>			
Property, plant and equipment	5.1	15,389	18,307
Heritage assets	6	64,838	63,073
Agricultural assets		208	224
Intangible assets	5.2	1,035	1,697
<b>Total non-current assets</b>		<b>81,470</b>	<b>83,301</b>
<b>Current assets</b>			
Inventories		144	168
Trade, other receivables and contract assets	9	13,712	13,480
Cash and cash equivalents	10	17,239	11,391
<b>Total current assets</b>		<b>31,095</b>	<b>25,039</b>
<b>Total assets</b>		<b>112,565</b>	<b>108,340</b>
<b>Current liabilities</b>			
Trade, other payables and contract liabilities	11	(18,866)	(25,101)
Provisions	12	(1,807)	(373)
Pension provision	12	(15)	(15)
<b>Total current liabilities</b>		<b>(20,688)</b>	<b>(25,489)</b>
<b>Non-current assets plus/less net current assets/liabilities</b>		<b>91,877</b>	<b>82,851</b>
<b>Non-current liabilities</b>			
Provisions	12	(6)	(33)
Net pension liability	12	(277)	(127)
Other payables and contract liabilities	11	(434)	(839)
Other financial liabilities	11	-	-
<b>Total non-current liabilities</b>		<b>(717)</b>	<b>(999)</b>
<b>Assets less liabilities</b>		<b>91,160</b>	<b>81,852</b>
<b>Taxpayers' equity and other reserves</b>			
General fund	SOCTE	39,224	29,195
Revaluation reserve	SOCTE	51,936	52,657
<b>Total equity</b>		<b>91,160</b>	<b>81,852</b>

The accounting policies and notes on pages 55-80 form part of these financial statements.

Marian Spain  
Accounting Officer and Interim Chief Executive

20 June 2019

## Statement of Cash Flows for the period ended 31 March 2019

	Note	31 March 2019	31 March 2018
		£000	£000
<b>Cash flows from operating activities</b>			
Net operating cost	SOCNE	(110,731)	(123,499)
Adjustments for non-cash transactions		7,161	5,195
Notional Corporate Services Recharge		24,608	31,165
(Increase)/Decrease in trade and other receivables	9	(232)	(6,526)
(Increase)/Decrease in inventories		24	5
Increase/(Decrease) in current and non-current payables	11	(6,640)	487
Use of provisions	12	(227)	(1,591)
<b>Net cash outflow from operating activities</b>		<b>(86,037)</b>	<b>(94,764)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5.1a	(4,355)	(5,541)
Purchase of intangible assets	5.2a	(22)	(120)
Purchase of non-current heritage assets		-	(1,444)
Purchase of agricultural biological assets		-	(61)
Proceeds of disposal of property, plant and equipment		(3)	-
<b>Net cash outflow from investing activities</b>		<b>(4,380)</b>	<b>(7,166)</b>
<b>Cash flows from financing activities</b>			
Grant in Aid income received by NDPBs (GF)	SOCTE	96,254	105,576
Interest received		11	12
<b>Net financing</b>		<b>96,265</b>	<b>105,588</b>
<b>Net increase/(decrease) in cash in the period</b>		<b>5,848</b>	<b>3,658</b>
Cash and cash equivalents at the beginning of the year	10	<b>11,391</b>	<b>7,733</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>10</b>	<b>17,239</b>	<b>11,391</b>

The accounting policies and notes on pages 55-80 form part of these financial statements.

Prior year figures are represented in that trade payables falling due after 1 year are now included within operating activities.

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 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	Note 3	24,608	-	24,608
<b>Movement in reserves</b>				
Other revaluation of PPE	Note 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>

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2018

	Note	General Fund Represented £000	Revaluation Reserve Represented £000	Total Reserves Represented £000
Balance at 31 March 2017		15,825	45,643	61,468
Grant in Aid income received by NDPBs		105,576	-	105,576
Net expenditure after interest	SOCNE	(123,487)	-	(123,487)
<b>Non-cash adjustments</b>				
Notional Corporate Services Recharge	Note 3	31,165	-	31,165
<b>Movements in reserves</b>				
Other revaluation of PPE	Note 7	-	7,130	7,130
Pension actuarial (gain)/loss	SOCNE	10	-	10
Transfers between reserves		116	(116)	-
Transfer to general fund - net asset transfer		(8)	-	(8)
Non-operating general fund movements		(2)	-	(2)
<b>Balance at 31 March 2018</b>		<b>29,195</b>	<b>52,657</b>	<b>81,852</b>

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 2018/19 Government Financial Reporting Manual (FRoM) 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 FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FRoM 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 Assets & Heritage Assets

During 2015/16, all of our non-current assets 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 & 1.7.1. In 2016/17, 2017/18 and 2018/19, this 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.

#### 1.1.2 Employee Benefit Accrual

Natural England accounts for unused annual leave based on actual figures as at 31 December 2018 (for the 12 month leave period 1 January 2018 to 31 December 2018), and uses this as a proxy for unused annual leave as at 31 March 2019 in accordance with IAS 19 'employee benefits'. This 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 to account for the revaluation of property, plant and equipment and inventories.

## 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. They were initially valued at 1 April 2010 by internal and external valuers, and in 2015/16 were revalued by external valuers as at 31 March 2016.

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.

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 contracts for non-financial items in line with Natural England's expected purchase and usage requirements and therefore are 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 2018/19 there was no liability for Corporation Tax (2017/18, 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, 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. The current year has seen a change in accounting standard to IFRS15, but there is no material impact on the accounts. 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.

*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 introduces 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.

*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 grants is recognised in accordance with IAS 20.

## 1.16 Fees and Charges Income

Fees and charges are set based on full costs recovery in line with H M Treasury's "Managing Public Money". In this respect the full cost of our commercial services activities are fully covered by the fee income charged for them. When setting future years fees and charges, consideration is given over a three year rolling period, to enable a breakeven position to be achieved. If less income were recovered

than it cost us to provide the service, this would be an indication that our fee levels were set at too low a level (the reverse is true if we were to over recover costs) and we would have to review the level of the fees that we charge.

## 1.17 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.

## 1.18 Short Term Investments

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

## 1.19 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.

## 1.20 Employee Benefits

### 1.20.1 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.

### 1.20.2 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.

### 1.20.3 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.

## 1.21 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.

## 1.22 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.

## 1.23 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.

## 1.24 Notional Corporate Services Recharges

Commencing from 1 April 2015 Defra Corporate Service costs for the following services; Genesis depreciation & running costs, Digital Data & Technology Services (DDTS) and Commercial, 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.



## 1.25 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 has an initial application date of 1 January 2019 and the effective introduction date in accordance with the FReM is 1 April 2020 (2020/21). This specifies how leases should be recognised, measured and disclosed. The distinction between operating and finance leases is removed, and uniform accounting treatment for all leases with a term over twelve months will be required. Effectively this will bring NE leases with a term over a year, and above £5k onto NE's Statement of Financial Position (Balance Sheet), then as payments are made each year the asset value will be written down. This will have a material financial impact on the Statement of Financial Position.

## 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
  - Technical Services
  - Countryside Stewardship Transactional Services (up to and including 30 September 2018)
- Legal & Governance, including:
  - Chairman & Executive Office
  - Legal

## 2.1 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 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>

## 2.2 Statement of Comprehensive Net Expenditure for the year ended 31 March 2018 by operating segment:

	Legal & Governance		Operations	Science & Evidence	Strategy & Reform	TOTAL
	Internal	Defra Recharges				
	£000	£000	£000	£000	£000	£000
<b>Total Operating income</b>	<b>(71)</b>	<b>-</b>	<b>(26,564)</b>	<b>(312)</b>	<b>(927)</b>	<b>(27,874)</b>
<b>Staff costs</b>	4,281	-	62,473	7,470	11,569	85,793
<b>Non pay running costs (represented)</b>	302	-	5,988	539	1,164	7,993
<b>SSCL Shared Service Recharge</b>	-	1,958	-	-	-	1,958
<b>Corporate Service Recharge</b>	-	31,165	-	-	-	31,165
<b>Depreciation, impairment and other non cash-items</b>	3,973	-	1,213	-	-	5,186
<b>Programme and Grant Expenditure</b>	1,085	-	12,431	2,156	3,594	19,266
<b>Total Expenditure</b>	<b>9,641</b>	<b>33,123</b>	<b>82,105</b>	<b>10,165</b>	<b>16,327</b>	<b>151,361</b>
<b>Net Expenditure</b>	<b>9,570</b>	<b>33,123</b>	<b>55,541</b>	<b>9,853</b>	<b>15,400</b>	<b>123,487</b>

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

### 3. Expenditure

	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>£000</b>	<b>£000</b>
<b>Staff Costs</b>		<b>Represented</b>
Wages and Salaries	66,907	67,944
Social Security Costs	6,217	6,079
Other Pension Costs	12,324	12,649
Less recoveries in respect of outward secondments	(2,968)	(879)
<b>Staff Costs</b>	<b>82,480</b>	<b>85,793</b>
<b>Other Costs</b>		
Travel, subsistence and hospitality	4,525	4,555
Estate management	841	952
Stationery & printing	83	81
Internal audit fees	188	101
Transport & plant costs	720	882
Credit Losses	7	9
SSCL shared service charges	1,407	1,958
Other operating Costs	3,027	1,421
<b>Non-cash items</b>		
Depreciation	960	1,041
Amortisation	676	1,017
Loss on the disposal of Property, Plant and Equipment	91	1,100
Impairment on non-current assets	3,978	1,915
Prior year adjustment	(145)	(8)
Provisions provided for in year/(written back)	1,622	113
Notional Corporate Services Recharge	24,608	31,165
<b>Programme</b>		
Grant expenditure	4,783	7,040
Rentals under operating leases	824	674
Research and development expenditure	1,932	2,113
Legal expenditure	1,073	1,085
Other programme expenditure	7,372	8,354
<b>Total</b>	<b>141,052</b>	<b>151,361</b>

### 4. Income

#### 4.1 Revenue from contracts with Customers

	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>£000</b>	<b>£000</b>
Discretionary Advice Service (incl PSS undefined scope)	4,141	3,162
Wildlife Incident Investigation Service (WIIS) contract	214	184
Strategic Access Management and Monitoring (SAMM) agreement	109	78
NNR Income	858	693
Contributions and grants from Partners and private sector companies	484	97
Miscellaneous income	166	399
<b>Total Revenue from contracts with Customers</b>	<b>5,972</b>	<b>4,613</b>

Natural England has adopted IFRS 15, *Revenue from Contracts with Customers* with a date of initial application of 1 April 2018. As a result the accounting policy for revenue recognition has changed. In accordance with Treasury guidance, IFRS 15 is adopted using the modified retrospective application approach, with the cumulative effect recognised as an adjustment to opening balances. IFRS 15 is applied using the practical expedient to apply IFRS 15 retrospectively only to contracts that were not completed at the date of initial application.

The impact of the change in accounting policy for Natural England is minimal. For all of our contracts there is no change in the timing or amounts of revenue recognised under IFRS 15 compared to the previous standard IAS 18. This conclusion was reached after an extensive review of the contracts Natural England holds with its customers.

#### 4.1.1 Significant judgements applied

Each group of contracts was assessed against the 5 step model and the review concluded that for all our contracts with customers, the point at which control passes to the customer under IFRS 15, and when revenue is recognised, is the same as when the risks and rewards of ownership transferred under IAS 18. There is therefore no change to the timing of revenue recognition. A full assessment of when the performance obligations are satisfied 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 our contracts contain a single PO and the transaction price allocated to each PO is therefore determined by the agreed price in the contract with the customer. All invoices issued are due for payment within 28 days of the invoice date, and we offer no returns, refunds or warranties in our contracts with customers except if we fail to fulfil our obligations under the contract. The following table shows the different categories of contract that Natural England has with customers and when the associated POs are typically satisfied. 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.

Performance Obligations (PO) typically satisfied at a point in time	
Contract type	When control passes to the customer
Discretionary Advice Service (Inc. PSS) – standard DAS	The PO is satisfied and control passes to the customer when the advice is delivered to them. Revenue is recognised at this point in time.
NNR Income – NNR usage licences, wayleaves, rents etc.	The PO is satisfied and revenue is recognised when the right of use is granted, when control passes to the customer.

<b>Performance Obligations (PO) typically satisfied at a point in time</b>	
<b>Contract type</b>	<b>When control passes to the customer</b>
NNR Income – timber sales, filming rights, livestock sales etc.	The PO is satisfied and revenue is recognised when the goods or services are delivered under the contract, when control passes to the customer.
Legal receipts	Revenue relates to receipts for fines and penalties arising from infringements by third parties and is recognised at the point in time when the income is received. If remedial action to rectify the infringement is not taken immediately, the income will be held as a contract liability until the performance obligation is discharged in future periods.
<b>Performance Obligations (PO) typically satisfied over time</b>	
<b>Contract type</b>	<b>Method used and why this faithfully depicts the transfer of control</b>
Discretionary Advice Service – undefined scope contracts	In these contracts, advice could be delivered in several discrete packages over the life of the contract, so the PO is satisfied over time and each package is invoiced individually as it is delivered,. Revenue is recognised as the advice is delivered to the customer using the input method and timesheet data to support the revenue recognition.
Catchment Sensitive Farming – Water Company contracts	Revenue arises from giving advice to water companies over a defined period of time. NE staff effectively work as part of the water company's team. The PO is satisfied as the advice is delivered. We recognise this revenue over time, invoicing quarterly in arrears using the output method evidenced by the passage of time. Where income earned is not yet billed we recognise a contract asset.
High Speed 2 (HS2) contract	Revenue from the HS2 contract relates to giving advice to HS2 Ltd as and when required over the contract period. The PO is satisfied as the advice is delivered and so this revenue is recognised over time using the input method evidenced by timesheet data. The contract with HS2 allows for quarterly billing of equal amounts of the full contract value. Where the work done to date on the contract is less than the billed amount, then we recognise a contract liability, and where income earned is not yet billed we recognise a contract asset.
Wildlife Incident Investigation Service (WIIS) contract	Income for the WIIS agreement relates to providing services as and when required over the contract period. Revenue is recognised over time as the service is delivered as this is when the PO is satisfied, using the input method evidenced by timesheet data. The contract with HSE for WIIS allows for quarterly billing in arrears for actual work done. Where income earned is not yet billed we recognise a contract asset.
Strategic Access Management and Monitoring (SAMM) agreement	Income for the SAMM agreement relates to providing services as and when required over the contract period, with the contract providing for reimbursement of costs incurred. Revenue is recognised over time as the service is delivered using the input method evidenced by costs incurred to date. The contract allows for quarterly billing in arrears for actual work done. Where income earned is not yet billed we recognise a contract asset.
Contributions from lead partners for EU LIFE and HLF projects where NE is a delivery partner	The PO relates to project delivery over a defined period of time. Revenue is recognised over time using the input method on the basis of costs incurred to date, to match income to the project delivery. Revenue earned by fulfilling the performance obligation but not yet received is recognised as a contract asset and any advance payments received but not yet earned are recognised as contract liabilities.
Contributions from partners for EU LIFE and HLF projects where NE is the Lead Partner	The PO relates to project delivery over a defined period of time. Revenue is recognised over time using the input method on the basis of costs incurred to date, to match income to the project delivery. Revenue earned by fulfilling the performance obligation but not yet received is recognised as a contract asset and any advance payments received but not yet earned are recognised as contract liabilities.

### 4.1.3 Transaction price allocated to remaining performance obligations

As of 31 March 2019, Natural England has only one multi-year contract in place that has not been completed. This is the SAMM agreement contract, which is billable on the basis of cost recovery quarterly in arrears and therefore meets the practical expedient requirements for disclosure of the transaction price allocated to remaining performance obligations of IFRS 15. Natural England has a right to consideration under the SAMM agreement in an amount that corresponds directly with the value to the customer of the performance completed to date.

The HS2 contract is a two-year contract, but has a completion date of 31 March 2019.

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 2019</b>	<b>31 March 2018</b>
	<b>£000</b>	<b>£000</b>
EU Technical Assistance Funding	15,613	15,662
Rural Development Programme for England	3314	2504
Basic Payment Scheme	1,318	997
Apprenticeship Levy	115	2
EU Life Grants	2,373	3,021
Heritage Lottery Funding	1,571	1,024
Grants from Local Government	13	0
Donations	32	39
<b>Total Other Operating Income</b>	<b>24,349</b>	<b>23,249</b>

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. 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. All of these funding streams fall under the scope of IAS 20. Donations and interest income are outside the scope of IFRS 15.

### 4.3 Fees and Charges Income

The above income totals include income from fees and charges. Fees and Charges income is derived from a combination of discretionary advice related to our planning and SSSI assent 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>

	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>£000</b>	<b>£000</b>
Discretionary Advice, Catchment Sensitive Farming and High speed two	4,153	3,159
Income from National Nature Reserves (NNRs)	858	731
Other fees and charges	14	22
<b>Total Income</b>	<b>5,025</b>	<b>3,912</b>

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 issues and securing the approvals of our Board, Defra and in some case H M Treasury, where needed.

## Analysis of fees and charges

<b>Discretionary Advice and Pre Submission screening:</b>	<b>2018/19</b>	<b>2017/18</b>	<b>2016/17</b>	<b>Cumulative results</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Income	4,153	3,159	2,362	9,674
Expenditure	(4,150)	(3,162)	(2,360)	(9,672)
<b>Surplus / (Deficit)</b>	<b>3</b>	<b>(3)</b>	<b>2</b>	<b>2</b>

The above table shows that Natural England over recovered costs by £3k in 2018/19, but if considered over a three year rolling period, this shows a £2k surplus (additional fee income compared to costs) to be carried forward to 2019/20 to ensure that fees and charges breakeven over a three year rolling period.

## 5. Non-current assets

In accordance with IAS 16 as interpreted by the FRM, 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.

## 5.1a Property, plant and equipment

	Land	Buildings owned	Leashold Improvements	IT	Furniture & Fittings	Plant & Machinery	Vehicles	Construction	Assets under	Total
<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	-	-	-	
Revaluation	(160)	(201)	-	-	-	-	48	(3,909)	(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>	



## 5.1b Property, plant and equipment

	Land	Buildings Owned	Buildings Leased	IT	Furniture & Fittings	Plant & Machinery	Vehicles	Assets under Construction	Concession Assets	Service Concession Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>											
At 1 April 2017	5,236	6,264	1,037	1,045	3,280	4,973	2,648	86	10,019	34,588	
Prior Year Adjustments		(37)	(3)	-	(6)	14	(21)	-	-	(53)	
Additions	144	3,170	-	-	61	457	-	1,709	-	5,541	
Reclassifications *	169	309	-	-	-	119	-	-	(10,019)	(9,422)	
Transfers (restated)	3	58	25	-	-	-	-	(86)	-	-	
Disposals	-	(973)	-	-	(30)	(188)	(131)	-	-	(1,322)	
Revaluation	(133)	1,469	-	-	-	-	-	-	-	1,336	
<b>At 31 March 2018</b>	<b>5,419</b>	<b>10,260</b>	<b>1,059</b>	<b>1,045</b>	<b>3,305</b>	<b>5,375</b>	<b>2,496</b>	<b>1,709</b>	<b>-</b>	<b>30,668</b>	
<b>Depreciation</b>											
At 1 April 2017	-	749	742	414	2,751	3,861	1,926	-	10,019	20,462	
Prior Year Adjustments	-	(20)	(23)	-	(7)	(6)	(21)	-	-	(77)	
Charges in year	-	337	82	166	100	222	135	-	-	1,042	
Disposals	-	(100)	-	-	(25)	(186)	(127)	-	-	(438)	
Reclassifications	-	454	-	-	-	-	-	-	(10,019)	(9,565)	
Revaluation	-	937	-	-	-	-	-	-	-	937	
<b>At 31 March 2018</b>	<b>-</b>	<b>2,357</b>	<b>801</b>	<b>580</b>	<b>2,819</b>	<b>3,891</b>	<b>1,913</b>	<b>-</b>	<b>-</b>	<b>12,361</b>	
<b>Net book value 31 March 2018</b>	<b>5,419</b>	<b>7,903</b>	<b>258</b>	<b>465</b>	<b>486</b>	<b>1,484</b>	<b>583</b>	<b>1,709</b>	<b>-</b>	<b>18,307</b>	
Net book value 31 March 2017	5,236	5,515	295	631	529	1,112	722	86	-	14,126	
<b>Assets financing</b>											
Owned	5,419	7,903	258	465	486	1,484	583	1,709	-	18,307	
<b>Net book value 31 March 2018</b>	<b>5,419</b>	<b>7,903</b>	<b>258</b>	<b>465</b>	<b>486</b>	<b>1,484</b>	<b>583</b>	<b>1,709</b>	<b>-</b>	<b>18,307</b>	

\* During the annual asset verification exercise, some assets were identified as being in the wrong category, and have thus been reclassified. Part of this is Building revaluation depreciation classed as cost in 2016/17, and this has been reclassified in 2017/18 correctly to depreciation.

The former IBM service concession assets transferred to Defra Group ownership at the end of the contract period on 1 March 2018.

## 5.2a Intangible assets

	31 March 2019	31 March 2018
	Purchased Software	Purchased Software
	£000	£000
<b>Cost or valuation</b>		
At 1 April	10,656	10,535
Additions	22	120
Disposals	(9)	-
<b>At 31 March</b>	<b>10,669</b>	<b>10,655</b>
<b>Amortisation</b>		
At 1 April	8,959	7,942
Charged in year	676	1,016
Disposals	(1)	-
<b>At 31 March</b>	<b>9,634</b>	<b>8,958</b>
<b>Net Book Value at 31 March</b>	<b>1,035</b>	<b>1,697</b>
Net Book Value at 1 April	1,697	2,593
<b>Assets Financing</b>		
Owned	1,035	1,697
<b>Net book value 31 March</b>	<b>1,035</b>	<b>1,697</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. As well as managing some of our most pristine habitats, our rarest species and our most significant geology, most reserves now offer great opportunities to the public, schools and specialist audiences to experience England's natural heritage. 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 2019 there were 224 NNRs in England covering 94,000 hectares. Natural England manages 142 of these on its own or jointly with others, and the remainder are managed by Approved Bodies. Only the value of the 121 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 £1.7m.

	Operational	Non	Assets	Total
	Operational	Operational	under	Total
	£000	£000	Construction	£000
	£000	£000	£000	£000
<b>Valuation</b>				
At 1 April 2018	3,251	59,822	-	63,073
Prior Year adjustments		22	-	22
Additions			1,950	1,950
Impairment	-	(58)	-	(58)
Reclassifications	-	1,950	(1,950)	-
Reclassified as held for sale	-	-	-	-
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>Assets financing</b>				
Owned	3,251	61,587	-	64,838
<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>
<b>Gross cost at 1 April 2014</b>	<b>3,515</b>	<b>69,724</b>	<b>-</b>	<b>73,239</b>
Additions	-	4,518	-	4,518
Transfer from PPE AUC	-	102	-	102
Impairment	-	(5,391)	-	(5,391)
Revaluation	306	2,432	-	2,738
<b>Net Book Value at 31 March 2015</b>	<b>3,821</b>	<b>71,385</b>	<b>-</b>	<b>75,206</b>

## 7. Impairments

	31 March 2019 £000	31 March 2018 £000
<b>Impairment to Statement of Comprehensive Net Expenditure</b>		
Charge to Statement of Comprehensive Net Expenditure	(3,978)	(1,915)
Charge to Revaluation Reserve	(462)	7,027
Depreciation element of Revaluations charged to reserves	(210)	116
Disposal to Revaluation Reserve		(13)
	<b>(4,650)</b>	<b>5,215</b>

	Upward Revaluation £000	Downward Revaluation £000	Total RR Movement £000	Impairment to OCE £000
Land	85	(245)	(160)	(266)
Building	449	(820)	(371)	(3,614)
Transport	8		8	
	<b>542</b>	<b>(1,065)</b>	<b>(523)</b>	<b>(3,880)</b>
Heritage Assets	903	(1,052)	(149)	(58)
Agricultural Assets	-	(16)	-	(16)
Inventory	-	(24)	-	(24)
	903	(1,092)	(149)	(98)
<b>Balance at 31 March 2019</b>	<b>1,445</b>	<b>(2,157)</b>	<b>(672)</b>	<b>(3,978)</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 to buy non-financial items in line with Natural England's expected purchase and usage requirements and Natural England is therefore exposed too little credit, liquidity or market risk.

## 9. Trade and Other Receivables

	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>£000</b>	<b>Represented £000</b>
<b>Amounts falling due within one year</b>		
Trade receivables	2,927	1,737
Prepayments	199	350
Accrued income	9,995	11,412
Contract Assets	617	-
Less Expected Credit Loss for receivables and contract assets	(26)	(19)
<b>Trade and other receivables</b>	<b>13,712</b>	<b>13,480</b>
<b>Receivables due after more than one year</b>	<b>-</b>	<b>-</b>
<b>Total Receivables</b>	<b>13,712</b>	<b>13,480</b>

Accrued income includes £3.8m (2017/18, £6.2m) 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 2019</b>	<b>31 March 2018</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	11,391	7,733
Net change in cash and cash equivalent balances	5,848	3,658
<b>Balance at 31 March</b>	<b>17,239</b>	<b>11,391</b>
<b>The following balances at 31 March are held at:</b>		
Office of HM Paymaster General/Government Banking Services	16,964	11,106
Short term investments	275	285
<b>Balance at 31 March</b>	<b>17,239</b>	<b>11,391</b>

## 11. Trade and other payables

	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>£000</b>	<b>Represented £000</b>
<b>Amounts falling due within one year</b>		
VAT	498	227
Other taxation & social security	1,375	1,571
Trade payables and other payables	2,813	9,462
Accruals and deferred income	14,128	13,841
Contract liabilities	52	-
<b>Trade and other payables</b>	<b>18,866</b>	<b>25,101</b>
<b>Amounts falling due after more than one year</b>		
Countryside S28 payables	434	839
<b>Other payables</b>	<b>434</b>	<b>839</b>
<b>Total Payables</b>	<b>19,300</b>	<b>25,940</b>

The Countryside S28 payable is an amount due in relation to S28 of the Wildlife and Countryside Act 1981.

## 12. Provisions

	Balance at 1 April 2018	Provided in the year	Provisions Utilised in the year	Provisions not required written back	Balance at 31 March 2019
	£000	£000	£000	£000	£000
Pension Provision	142	165	(15)	-	292
Retirement Provision	77	-	(39)	(3)	35
Litigation	329	1,712	(173)	(90)	1,778
	<b>548</b>	<b>1,877</b>	<b>(227)</b>	<b>(93)</b>	<b>2,105</b>

### Analysis of expected timings of discounted flows

	Balance at 1 April 2018	Not later than one year	Later than one year and not later than five years	Later than five years	Balance at 31 March 2019
	£000	£000	£000	£000	£000
Pension Provision	142	15	62	215	292
Retirement Provision	77	29	6	-	35
Litigation	329	1,778	-	-	1,778
<b>Balance at 31st March 2019</b>	<b>548</b>	<b>1,822</b>	<b>68</b>	<b>215</b>	<b>2,105</b>

## 13. Commitments under leases

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

	31 March 2019	31 March 2018
	£000	£000
<b>Land</b>		
Land operating leases - not later than 1 year	365	320
Land operating leases - 1 to 5 years	1,176	1,021
Land operating leases - over 5 years	3,310	4,155
<b>Total of land operating leases</b>	<b>4,851</b>	<b>5,496</b>
<b>Buildings</b>		
Buildings operating leases - not later than 1 yr	234	93
Buildings operating leases - 1 to 5 years	414	119
Buildings operating leases - over 5 years	414	954
<b>Total of buildings operating leases</b>	<b>1,062</b>	<b>1,166</b>
<b>Total operating leases</b>	<b>5,913</b>	<b>6,662</b>

## 13.2 Defra properties occupied by Natural England

	2018-19	2017-18
	£000	£000
<b>Buildings</b>		
Buildings operating leases - not later than 1 year	1,031	1,936
Buildings operating leases - 1 to 5 years	2,374	3,683
Buildings operating leases - over 5 years	481	2,032
<b>Total of buildings operating leases</b>	<b>3,886</b>	<b>7,651</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	7	8
<b>Total of land operating leases</b>	<b>8</b>	<b>9</b>
<b>Total operating leases</b>	<b>3,894</b>	<b>7,660</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) 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 33 properties subject to MOTU arrangements.

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. After serving the



part break notice, Defra retained 29 percent of the building (Defra's reduced demise) with effect from 28 March 2018. Prior to the break, Defra held the whole building. In 2018/19 Defra occupied 1.47 percent (2017/18, 0 percent) of Defra's reduced demise and recharges other occupiers for their share of the costs. NE occupies 24.01 percent (2017/18, 17.26 percent). These percentages are calculated based on their agreed square meter areas. The reduced space is 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 2019</b>	<b>31 March 2018</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	755	992
Later than one year and not later than five years	2,361	4,080
<b>Present value of obligations</b>	<b>3,116</b>	<b>5,072</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 2018/19 or 2017/18.

#### 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 incurrance of considerable financial penalties. The commitment for the Interserve estates facilities management (FM) contract includes the core FM contract, Reactive FM and all approved contract variations that impact the future cost of the contract. The payments are consistent with arrangements containing a lease as defined by IFRIC 4. The commitment for the Interserve FM contract is subject to change as the size of the Estate adjusts through strategic alignment.

	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	564	646
Later than one year and not later than five years	2,258	2,585
Later than five years	3	650
<b>Present value of obligations</b>	<b>2,825</b>	<b>3,881</b>

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

Natural England has the following contingent liabilities;

	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>£000</b>	<b>£000</b>
<b>Claims and Litigation</b>	<b>350</b>	<b>1,951</b>

Natural England is involved in certain claims and litigation relating to its core purpose. In the opinion of management, the liabilities, if any, arising from these claims and litigation will not have a material impact on the financial position or the results of Natural England.

## 17. 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.

## 18. Related party disclosures

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

Natural England has also had a small number of transactions with other government departments and other central government bodies. Of these transactions, most have been with the Health & Safety Executive and the Natural Environment Research Council.

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 2019 £000	Amount Owed to Natural England at 31 March 2019 £000
Marian Spain	New Forest National Park Authority	4	-	-	-
	Plantlife International	112	-	37	-
Catherine Dugmore	Royal Botanic Gardens - Kew	56	-	55	-
Andy Clements	British Trust for Ornithology	75	-	21	-
Sue Hartley	Royal Botanic Gardens - Kew	56	-	55	-
Simon Lyster	Northumbrian Water	-	18	-	-
Teresa Dent	Game & Wildlife Conservation Trust	26	-	-	-
Nigel Reader (Note 1)	Animal and Plant Health Agency	168	5	-	12

Notes:

- 1) Board member until 31/5/18.

No board member, chief officer or senior manager has undertaken any material transactions with Natural England for which they have declared an interest. Further information on Board members and chief officers can be found in the remuneration report.

In addition to the above disclosures, Andrew Sells, Natural England's previous Chairman was an ex officio member of Defra, our parent department who provide the majority of NE's funding.

## Natural England Sustainability report 2018/19 (Unaudited)

### 1. Background

As part of its Sustainable Development Strategy, the Government encourages public bodies to disclose their sustainability and environmental performance as an annex to their Annual Report and Accounts. The environmental data and associated financial costs presented in the following pages are consistent with the requirements of the HM Treasury document “Public Sector Annual Reports: Sustainability Reporting Guidance.”

The information contained within this report has not been subject to audit and does not form part of the auditors’ opinion of the Accounts. However, the data contained within the report has been checked and verified internally for accuracy and the carbon emission conversion calculations have been made in line with current approved greenhouse calculation methodologies.

### 2. Introduction

Sustainability is central to the way Natural England delivers its business. 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 target of a 50 per cent reduction in our carbon emissions against the 2007 baseline by the end of 2010 and have maintained that level of performance since.

Natural England is required to report on the Greening Government Commitments (GGC). These consist of a range of targets around the environmental performance of our business, including those stated in this report.

Our performance during 2018/19 has been good. In addition to the reputational importance of meeting the GGC targets, energy and water unit costs are increasing each year, becoming an increasingly material element of our running costs.

### 3. Summary of Performance

Our performance summary for 2018/19:

Area	Actual Performance	RAG	Target Performance (where applicable)
Carbon dioxide emissions <sup>1,2</sup>	2349 tCO <sub>2</sub>	G	2,235 tCO <sub>2</sub> by 2020
Total waste <sup>3</sup>	39 tonnes	G	Less than 10% to landfill
Water consumption <sup>3</sup>	3705 m <sup>3</sup>	G	To reduce from 2009/10 baseline
Carbon Reduction Commitment (CRC) related expenditure <sup>5</sup>	16.1K		n/a
Total energy consumption <sup>1</sup>	1,638,299 kWh		n/a
Buildings energy consumption <sup>1</sup>	1,638,299 kWh		n/a
Total energy expenditure	£183K		n/a

Residual office waste <sup>3</sup>	2 tonnes		n/a
Total waste expenditure <sup>4</sup>	n/a		n/a
Water Expenditure <sup>3</sup>	17K		n/a

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 firmly embed travel minimisation and low carbon travel choices as “business as usual” ways of working. Achievement of the GGC target is evidence of working within the overall travel financial allocation across the organisation, which becomes ever tighter year on year. Teams are responsible for managing their travel within the budget allocations, and in doing so, this ensures that the carbon is managed.

Our ambitious programme of office consolidation which contributed significantly to our 50 per cent carbon savings has now concluded and our focus around the estate is to minimise the environmental impact of our offices. We are working closely with other parts of the Defra group and our landlords across the majority of the estate to achieve these targets.

#### 4. Greenhouse Gas Emissions

Natural England achieved its self-imposed target to reduce carbon emissions associated with energy consumption on the estate and business travel by 50 per cent (against the total carbon footprint of the three founding bodies) by the end of 2010. We continue to reduce our energy consumption and have achieved the GGC target to reduce greenhouse gas emissions by 25 per cent against a 2009/10 baseline.

Greenhouse Gas Emissions (tCO <sub>2</sub> )		2018/19	2017/18	2016/17	2015/16
Non-Financial Indicators (tCO <sub>2</sub> )	Total Net Emissions for Scopes 1 & 2 <sup>1,2</sup> (procured electricity, gas and fleet vehicles incl pool cars)	649	720	760	1,105
	Gross emissions attributable to Scope 3 official business travel <sup>2</sup>	1,700	1,124	1,107	1,393
	Total emissions	2,349	1,844	1,867	2,498
Related Energy Consumption (KWh)	Electricity; Non Renewable <sup>1</sup>	0	0	0	0
	Electricity; Renewable <sup>1</sup>	784,261	790,324	794,398	977,923
	Electricity; CHP <sup>1</sup>	0	0	0	5,237
	Electricity; Total	784,261	790,324	794,398	983,160

	Gas <sup>1</sup>	854,038	747,370	636,651	1,056,094
	LPG	0	0	0	0
Financial Indicators (£k)	Expenditure on Energy	183K	165K	206K	£381k
	CRC Licence Expenditure	16.1K	£15.7K	£15.7K	£14.6K
	CRC Income from Recycling payments	-	-	-	-
	Expenditure on accredited offsets	-	-	-	-
	Expenditure on official business travel	£2.44m	£2.54m	£2.68m	£2.97m

#### Performance Commentary (including targets)

Natural England achieved its own 50% target to reduce the carbon emission associated with energy consumption on the estate and business travel against its 2007 baseline by the end of 2010. The energy performance across our estate continues to improve year on year.

#### Controllable Impacts Commentary

The main direct impacts for us in terms of carbon emissions are from our operational electricity and gas consumption and road, air and public transport mileage.

#### Overview of Influenced Impacts

Natural England is able to influence the emissions of its supply chain significantly through procurement specifications and through sharing our approach with other organisations.

## 5. Waste

Natural England has performed well against the GGC waste target, producing a total of 39 tonnes of waste across the office estate (where data is available, of which 2 tonnes (5% against a target of less than 10%) was disposed of to landfill.

Waste		2018/19	2017/18	2016/17	2015/16	
Non-Financial Indicators (tonnes)	Total waste arising	39	55	60	46	
	Hazardous waste	-	-	-	-	
	Non hazardous	Landfill	2	2	3	5
		Reused/ Recycled	27	42	34	33
		Waste composted	1	2	2	-
		Incinerated with energy recovery	9	9	21	8
		Incinerated without energy recovery	-	-	-	-

### Performance Commentary (including targets)

Defra supplies data on a quarterly basis. This is the fifth year we have been able to disaggregate composted waste from recycled/reused waste and report incinerated waste with and without energy recovery. All figures are in tonnes and cover 14 offices. Where data is available for multi-occupancy sites, figures are calculated on % occupancy basis. Information is not available where landlords are responsible for waste and recycling activities.

### Controllable Impacts Commentary

The main type of waste generated by Natural England is general office waste. The level of waste recycling is controlled through the provision of waste recycling facilities in each office and through awareness-raising with our staff, in conjunction with Defra. Facilities vary across our estate, but the majority of waste at each site is able to be recycled.

## 6. Finite Resource Consumption - Water

Natural England has achieved the GGC target to reduce water consumption against the 2009/10 baseline of 8,050m<sup>3</sup>.

Finite Resource consumption – Water m <sup>3</sup>			2018/19	2017/18	2016/17	2015/16
Non-Financial Indicators	Water consumption (m <sup>3</sup> )	Supplied	3,705	2,334	2,428	3,770
		Abstracted	-	-	-	-
Financial Indicators (£k)	Water supply costs		£17K	£28K	£34K	£43k

### Performance Commentary (including targets)

This is the eighth year we have been monitoring our water consumption across our estate on an occupancy basis, against a Greening Government Commitment baseline of 8050.49m<sup>3</sup> for 2009/10.

### Controllable Impacts Commentary

Our major impact in terms of water consumption is the consumption of potable water in our offices. We continue to work with our landlords, Defra, and facilities management provider, Interserve, to establish a water efficiency programme based on water savings technologies and behavioural change.

### Overview of Influenced Impacts

Natural England promotes the efficient use of water through its Sustainable Procurement system and by encouraging suppliers of goods and services to reduce their environmental impact.

We will support fully the following Defra-wide sustainability initiatives which include:

- Improvements to water monitoring through smarter targeting of consumption at a building level, enabling quicker response times to rectify spurious or excessive consumption;
- Changes made to the Department's Facilities Management Contract will make facilities managers more accountable for water use in the buildings they manage;
- Increased emphasis on staff culture change through awareness campaigns and engagement exercises.

## 7. Finite Resource Consumption - Energy

Reductions in energy consumption is a core component of our overall carbon reduction programme and correlates with achieving the GGC target for Greenhouse Gas Emissions above.

Finite Resource consumption – Energy (kwh)			2018/19	2017/18	2016/17	2015/16
Non-Financial Indicators	Energy consumption	Electricity: Non-Renewable	-	-	-	-
		Electricity: Renewable	784,261	790,324	794,398	977,923
		Electricity: CHP	-	-	-	5,237
		Electricity: Total	784,261	790,324	794,398	983,160
		Gas	854,038	747,370	636,651	1,056,094
Financial Indicators (£k)	Total Energy Expenditure	£183K	£165K	£206k	£381k	

### Performance Commentary (including targets)

Reduction in energy consumption is a core component of our overall carbon reduction programme. Our reduction in energy consumption correlates with achieving our GGC target for GHG emissions.

### Controllable Impacts Commentary

Our main energy consumption is for heating our offices and we continue to monitor and review the efficiency of our estate as part of GGC targets.

### Overview of Influenced Impacts

We will fully support Defra-wide energy efficiency initiatives and awareness programmes.

### Notes:

- 1) Office estate building energy consumption/emission data from Jan 2018 to Dec 2018 (the latest full year of Greening Government Commitment data provided by Defra at the time of writing) where billing data is available. The NNR estate is not included in the above performance report.
- 2) Travel data for Jan 2018 to Dec 2018, as provided by Defra based on fleet and business travel



- 3) Waste and water data from Jan 2018 to Dec 2018 (the latest full year of Greening Government Commitment data provided by Defra at the time of writing) where metered data is available.
- 4) Waste management on the Natural England estate is undertaken through our landlords and their contractors. It is not possible to disaggregate the expenditure on waste management from that provided for other tenants in our shared offices.
- 5) Defra is responsible for reporting and paying for the consolidated CRC return and these recharges are approximations based on the apportionment of floor space occupied.

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

### **We published our Natural Capital Account for the National Nature Reserves in February**

In last year's Annual Report and Accounts we declared our intention to publish a Natural Capital account for Natural England's National Nature Reserves (NNRs) during 2018/19. We published these accounts in February 2019. The figures in this account relate to the financial year 2017/18. The report and an executive summary is available from Natural England's online publication catalogue (NERR078).

### **National Nature Reserves protect rare and valuable places**

NNRs protect some of England's most important habitats, species and geology. They embody our natural diversity, from multi-layered geology to ferny woodlands, ancient grasslands and heaths, wetlands, moorlands and wild coasts. They also support research, education and recreation. There are 224 NNRs and they cover approximately 0.7% of England's land surface.

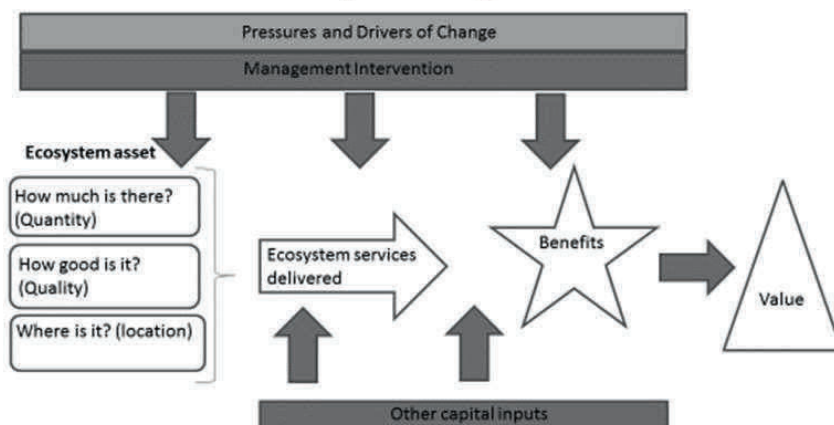
### **Natural Capital Accounting includes non-market environmental benefits**

Traditional accounts capture only market values. This means that they do not capture the many benefits that land provides to society but are not charged for, such as supporting pollinating insects or reducing flood risk downstream. We can rectify this through using Natural Capital Accounting (NCA). NCA seeks to capture and include all the benefits provided by land, and value them in economic terms where possible. There has been a big upsurge in interest in NCA in the last few years and experimental accounts have been developed by government bodies, charities and private businesses. These organisations aim to use NCA to help them to manage their natural assets sustainably and to actively manage for public as well as private benefits.

### **Our accounts are based on our Natural Capital Logic Chain, which maps the flow ecosystem services and benefits from natural capital assets**

Our account is based on the logic chain below. It is based on clearly defined land parcels which we treat as Natural Capital Assets. This does not include all the NNRs, but only those where Natural England is involved in management. These were mapped to broad habitat types and their quantity, quality and location considered with respect to the delivery of ecosystem services.

## NE natural capital logic chain



### Our accounts are an innovative contribution to a developing area

Natural Capital Accounting is a developing area, without fixed rules and approaches. 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 in September 2018 (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.

### Results

The full results of the benefits of the NNR estate are shown on the next page. Our baseline assessment of the natural capital assets uses 27 indicators to describe the extent and quality of NNR assets, and many of these we were able to map. These results form a baseline for comparison in future exercises, and could also be compared to other assets in a later exercise.

The next table shows the ecosystem services offered by the NNRs. Our significance rating represents the research teams judgement about the importance of each ecosystem service, with *Thriving Wildlife, Climate Regulation, Recreation tourism and volunteering, Scientific and educational* and *Cultural appreciation of nature* the most important. There are many ecosystem services that the current evidence base does not allow us to quantify, including some of the most significant.

The final table shows the value and significance of benefits provided by the NNRs. We judged *Biodiversity*, *Equable climate* and *Cultural wellbeing* to be the most important, followed by *Health* and *Timber, wood and hay*. We were only able to place economic values on some of the benefits and were not able to value some of the most significant. Overall, we estimate the monetary value of quantifiable benefits from NNRs to be in excess of £36 million per year with a natural capital asset value in excess of £1.8 billion. We note the ‘very large’ significance of benefits that we have not been able to value in monetary terms and suggest that these are probably greater than the quantified values. We found that the cost of managing the NNRs was £13.97 million, with a medium confidence rating. Therefore even our partial estimate of the benefits is significantly larger than the costs of managing the estate.

### **Next steps**

NCA is a monitoring tool, and is most meaningful when repeated at regular intervals. However, much of the information which underpins this account is not published annually, but with gaps of several years or no clear programme. Additionally the wide bands of uncertainty around the economic value information means that this would not change significantly from year to year. Therefore it is most appropriate to repeat this exercise in four years’ time. Improvements in data collection may allow a more accurate estimate at that point. We are also using our indicators work to support a number of other natural capital tools to support local decision-making, for example through Local Natural Capital Plans and Nature Recovery Networks.

To access our full published Natural Capital Accounts please use the following link:  
<http://publications.naturalengland.org.uk/publication/4535403835293696>.

## Results

### Ecosystem Asset

### Ecosystem Services

### Benefits and Values

Asset Attribute	Indicator	Ecosystem service	Significance (1 small to 3 large)	Indicator	Quantity where available	Benefit	Significance (1 small to 3 large)	Indicator	Annual benefit	Asset value	Confidence in the values
<b>Extent</b>	Total area (ha)	Timber, hay and other materials	2	Sale of timber	~3000t	Timber, wood and hay	2	Sale of timber	£56,000	£2 million	High
	Ground water status (% good) Water Framework Directive (WFD)	Game and fish	1			Food	1	Income from grazing	£281,000	£9 million	High
<b>Hydrology</b>	Surface Water status (% good) WFD	Water supply	1			Clean and plentiful water	1	Sporting rights income	£28,000	£1 million	High
	Mean sulphur dioxide concentration (µg m <sup>-3</sup> )	Livestock	1			Clear air	1				
<b>Nutrient/chemical status</b>	Mean nitrogen acid deposition (kg N ha <sup>-1</sup> year <sup>-1</sup> )	Water quality	1			Protection from floods and other hazards	1				
	Mean Estimates of Soil Organic Carbon in 30cm Topsoil (% of total)	Air quality	1			Pollination and pest control	1				
<b>Vegetation</b>	% of NNR (ha) under a Site of Special Scientific Interest (SSSI) which is in 'favourable condition'	Erosion control	1			Biodiversity	3				
	Mean Estimates of Number of Nectar Plant Species for Bees (per 2x2m plot)	Flood protection	1			Equable climate	3	Carbon sequestered	£12 million	£1 billion	Low
<b>Species composition</b>	Soil Invertebrates Abundance - Mean Estimates of Total Abundance of Invertebrates in Topsoil (0-8cm depth soil core)	Pollination	1			Health	2				
	Tranquillity (mean score)	Thriving wildlife	3			Cultural wellbeing	3	No. of recreational visits	£22 million	£710 million	Low
<b>Cultural</b>	Scheduled monuments at risk (ha)	Pest and disease control	1			Climate regulation	3	Carbon Sequestered – tonnes of CO <sup>2</sup> equivalent	£1.8 million	£60 million	Low
						Recreation, tourism and volunteering	3	No. of recreational visits	£123,000	£4 million	Low
						Scientific and educational	3	No. of volunteering hours	£36 million	£1.8 billion	Low
						Cultural appreciation of nature	3	Total annual costs	£14 million		High
								Total annual costs			
								Total annual costs			
								Significance of unquantified benefits			
								Significance of unquantified benefits			

## Key to Confidence Rating

Definition	Rating
We may have used some assumptions or estimation but consider these figures uncontroversial.	High
We have used some assumptions or estimation and some of these may be open to question. Accuracy is better than + or - 50%.	Medium
We are confident that the number is in the right order of magnitude. Order of magnitude implies that for an estimate of 5 that we are confident that the real figure is within the range 0.5 to 50.	Low
We can't offer a number which is likely to be in the right order of magnitude. This is due to unquantifiable uncertainty in the science, valuation or the relationship between them. What we do know, and our confidence, will be discussed qualitatively.	No number