



Natural England

Annual Report and Accounts

1 April 2021 to 31 March 2022

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Natural England

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1 April 2021 to 31 March 2022

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

Chair's Foreword

Over the past 12 months nature's recovery has taken centre stage, both internationally and here at home.

COP 26 in Glasgow marked the first time that world leaders have demonstrated a clear understanding that the climate and biodiversity emergencies are closely interwoven – and that nature-based solutions are vital

if we are to tackle them. It was also clear that there is now huge public interest in the future of our planet and a growing demand for meaningful action. With the UK providing environmental leadership on the world stage, the conference produced a series of ambitious commitments capable of limiting global temperature rises to 1.5 degree Celsius.



Further leadership came with the G7 summit in Cornwall at which member states set net zero targets for the first time and agreed to halve collective emissions by 2030. This translated into delivery on the ground in Cornwall where a major investment programme will benefit local communities. It's great to note that a key element of this levelling-up will be provided by the restoration of nature across 21,000 hectares of land around Goss Moor National Nature Reserve, increasing people's access to nature, creating new jobs, and removing carbon dioxide from the atmosphere; a venture Natural England is proud to be leading.

It is vital that we maintain that leadership role to ensure that pledges turn into action, and we will have a great opportunity when the COP 15 biodiversity summit finally takes place in Canada, putting the spotlight once more on nature and what it can achieve for people and planet if we are serious about its recovery.

Alongside these great opportunities there have been significant challenges too. Although Covid-19 is less of a public health crisis than it was in the previous year, it continues to have far-reaching impacts on the economy, our way of life and of course the conservation sector. The pandemic has shone a light on glaring inequalities in access to high quality nature and putting that right is a goal of Natural England and must be at the heart of the government's levelling-up strategy too.

War has brought unimaginable destruction and suffering to the people of Ukraine and the shockwaves will be felt across the world for decades to come. There will be some who see this as a time to move focus away from tackling the nature and climate emergency but that would be a grave mistake. The conflict reminds us that we need nature more than ever in such times; that we utterly depend on it for our survival and that it must be at the heart of a better, more peaceful future.

Work to restore nature is very much under way on the domestic front. At Natural England we have been invigorated by a renewed energy and direction, and by investing in our front-line teams following a major increase in resources to achieve England's new ambition for nature recovery.

We were pleased to support the government in shaping the Environment Act 2021 which is transforming how we deliver nature recovery. It sets statutory targets on air quality, biodiversity, water, and waste along with an important target to halt the decline in species abundance by the end of 2030. It provides new tools that Natural England and others can use to help meet those targets and build towards a [Nature-Positive](#) 2030. Biodiversity Net Gain and Local Nature

Recovery Strategies are among a raft of mechanisms to help us make nature recovery come to life in places where people live and work.

The reforms that will undoubtedly follow the Nature Recovery Green Paper will also strengthen how we bring about the restoration of nature, using the foundations of existing protections and going further so that we can leave the natural world in a better state.

In Natural England we have been rising to the challenges laid down by a government that has shown its ambitions for the environment through its legislative programme and its increase in funding, including a very welcome three-year settlement for Natural England in the Spending Review.

Our Board has continued to perform effectively throughout the pandemic by holding hybrid meetings, including in public, which has enabled us to take important and complex decisions, for example to confirm notification of the Sites of Special Scientific Interest (SSSI) at the Cotswold Water Park and Swanscombe Peninsula in Kent – both decisions that will have long-term benefits for nature and people. Our staff too have continued to demonstrate exceptional dedication and enthusiasm despite the effects of Covid-19, expanding workloads, growing staff numbers and public sector pay constraints.

We have transformed our landscapes work, establishing the Natural England Landscape Advisory Panel to help us build stronger partnerships to deliver natural beauty, as well as a new joint agreement with the National Parks and Areas of Outstanding Natural Beauty (AONBs), which is crucial if we are to meet species abundance targets and improve access to these wonderful places.

As we look forward to a year that will, I very much hope, be defined by delivery for nature, I feel that Natural England is in a better shape than at any point in my time as Chair. We have the tools to do the job and are growing the workforce and building new skills. This demonstrates that we are an attractive organisation to work for and have the backing of government, something which I'm pleased to say has resulted in me being reappointed for a second term. I plan to use the next three years to help improve integration across the Defra group – and government as a whole – so that our combined efforts can result in more momentum for nature.

Over the next year I look forward to Natural England continuing its work with partners to establish a Nature Recovery Network (NRN), using tools both new and old. For example, our National Nature Reserves (NNRs) have been protecting our finest sites for wildlife, habitat, and geology since 1952 and in the next financial year we will celebrate the contribution they have made to conservation – and will continue to make as the “battery packs” for the NRN – by holding a Festival of NNRs to mark their 70th birthday.

I feel that significant opportunities lie ahead, and I look forward to us working with our partners to grasp them.

Tony Juniper CBE

Chair

Natural England

Chief Executive's Statement

The last twelve months have been a period of exceptional growth and change for Natural England as we acquired many of the resources and tools we will need to achieve our 5-year aims for nature, in partnership with government, non-government organisations (NGOs), business and communities. In the financial year 2021/22 our total funding grew by 66% and our full-time equivalent staffing level increased by 20 per cent to enable us to carry out the exciting new nature recovery work identified by Defra. This has inevitably meant growing pains, especially given the added challenges of embedding new staff and launching new products with Covid-19 restrictions still in place for large parts of the year. But despite this the organisation has performed very well with most targets achieved in our vital and expanding work to tackle climate change and biodiversity loss, in support of the government's priorities.



Natural England at the start of 2021/22

We began the year in a hopeful frame of mind having received some welcome additional investment to address a number of recognised pressure points. These included statutory functions such as protected sites, licensing and planning work and new resources for new duties.

At the same time, we were very much mindful of a wider array of pressures, particularly as the country emerged from a series of Covid-19 lockdowns and faced increased costs of living, with the tragedy of the war in Ukraine creating a shifting global backdrop.

Among the new ambitions and duties placed on Natural England were the need to streamline our planning-focused services through Project Speed, developing strategic solutions to long-standing environmental challenges and working with others to pilot development of Local Nature Recovery Strategies prior to their national rollout. An increase in our capital budget was earmarked for administering the Peatland Grant Scheme, leading on the Natural Capital and Ecosystem Assessment (NCEA) extended pilot, increasing IT resilience, and investing in our National Nature Reserves to improve access, infrastructure, and safety for all who use them.

Risks we sought to manage

Within our workforce, our focus on recruiting and inducting a significant number of new staff inevitably meant teams have often had to juggle high workloads, with some reporting higher levels of stress than before. We addressed this by adjusting resources and targets where necessary.

The pay freeze in the public sector, combined with Natural England's historic disparity in pay relative to other parts of the Defra group, presented a major challenge in terms of staff morale and our relations with trade unions, with 309 members of one Trade Union voting to take action short of a strike in the last quarter of the year.

We are committed to ensuring Natural England has a pay system where all roles are at the correct levels and grades, along with transparent pay ranges and career progression. In 2021/22 we began a review of our staff framework to ensure it accurately reflects the work our people do and

provides clear career paths. This will help us to better align pay arrangements with organisations that we work closely alongside and reduce the gaps between the top and bottom of our pay bands. We are also preparing a pay flex case to HM Treasury to be submitted in 2022/23.

Pressures emerged during the year in relation to corporate services, particularly the procurement services provided by Defra Group Commercial. This put considerable strain on various parts of Natural England, including project managers and our legal team. We set up a team to work more closely with Defra Group Commercial and other areas of NE, in addition to providing in-house training to increase the support and skills available to people.

Despite the welcome increase in our budget in 2021/22, funding challenges remained for some aspects of our work including on the marine environment, our ability to progress the connecting people with nature agenda and the establishment of Nature Recovery Areas.

How it has felt through the year

The year has at times felt tough for many staff for reasons already outlined. The pressure on our staff was highlighted by our Pulse Survey in the autumn which found that almost half of respondents reported ill health as a result of work-related stress. As a consequence, we set up a Directors working group to identify any organisational or cultural issues that either cause stress or prevent us from tackling the root causes of it. This was in tandem with existing work to review our stress management policies, guidance, and support materials.

But despite these very real problems in an organisation going through unprecedented change, there has been a palpable sense of excitement running through Natural England as our work has been increasingly recognised and supported by Government, and as nature continues to rise up the agenda. COP 26, the Environment Act, and the Nature Recovery Green Paper plus its associated targets all mean that attention is increasingly focusing on nature and why we need to help it recover. Our new recruits at all levels in the organisations, who come from an increasingly diverse range of backgrounds, including their former careers, have also brought fresh ideas and new energy.

Covid-19 initially reduced people's ability to work face to face with colleagues and stakeholders, although as the year ends most staff have now moved to hybrid working that enables us to maintain and develop connections with others in offices and elsewhere, alongside retaining the benefits of homeworking some of the time.

What we achieved

In 2021/22 we made good progress on a number of our performance indicators. I will draw attention to the Nature Recovery Network – a cornerstone of our work – which saw us join forces with a further 152 partners, taking the total number to 668. We have also helped National Parks and some Areas of Outstanding Natural Beauty commit more than 150,000 ha to the NRN, one of the many benefits of our enhanced relationship with the designated landscapes sector.

We also set ourselves a challenging target for inclusion of people from ethnic minority backgrounds, in recognition that diversity and inclusion are essential Natural England values. Almost 14 per cent of our new intake of staff are from a minority ethnic background, helping to improve the diversity of our workforce, but we recognise that we need to do more, including with Equality, Diversity, and Inclusion (EDI) networks, to make Natural England representative of the population.

Other achievements included:


- Green Social Prescribing (GSP) - We brokered new links between health bodies and GSP providers, helping connect people to community groups and statutory services recognising the wellbeing benefits of engaging with the natural environment;
- Green Infrastructure - In December we published the draft national Green Infrastructure Mapping Database which includes accessible natural greenspace provision across England. The Database is being used across Government to target interventions to support improved access to green space;
- Marine Protected Areas (MPAs) - A total of 65 Marine Conservation Advice Packages were published, including 15 new drafts, 17 final packages, 2 revisions of previous advice and 31 updates to existing advice, enabling statutory authorities to make better decisions that inform nature recovery actions;
- Agri-environment schemes - 99% of Countryside Stewardship Higher Tier applications were processed and offered to applicants via the Rural Payments Agency (RPA) and a similar percentage of Higher-Level Stewardship extension recommendations were completed. We developed on behalf of Defra standards and guidance for Sustainable Farming Incentive. The area of land in current agri-environment schemes contributes to our 25-Year Environment Plan goals. We launched the Nature For Climate Peatland Grant Scheme (NCPGS) offering funds for the first 8000 ha of peatland restoration in lowland and upland England;
- England Coast Path (ECP) - Proposals for 2,674 miles (99.4% of total length) have been submitted to government for approval, of which 1,939 miles (72% of the total length) have been approved. The ECP is enabling more people to connect with nature around our coastline;
- Natural Capital Ecosystem Assessment programme - Six projects were delivered as part of the terrestrial NCEA extended pilot. When complete the NCEA will provide a comprehensive assessment of the overall state of our environment which will then be used to assess how England's ecosystems and natural capital are recovering over time;
- Sites of Special Scientific Interest – Eight sites were confirmed as SSSIs including Cotswold Water Park, Dearne Valley Wetlands and Swanscombe Peninsula. Together they cover more than 3,000ha;
- Species Recovery Programme – With an improved budget we significantly increased the number of species targeted, supporting 35 species recovery projects which will benefit more than 175 species.

What we look forward to

There is much to look forward to over the next 12 months as we seek to really drive delivery of the Nature Recovery Network, not least what we can achieve for nature with the new duties, levers and targets provided by the Environment Act. Local Nature Recovery Strategies will be central to our work with local communities to help them create the places that people will want to live in for decades to come. Ensuring that cities, towns, and villages have access to high quality nature nearby for everyone to enjoy will improve people's health and wellbeing – an important aspect of levelling-up - while addressing the challenge of climate change and biodiversity loss. Nature recovery requires investment which cannot all come from central government, which is why Biodiversity Net Gain will play an important role in bringing in private sector finance while helping to secure the sustainable new homes and infrastructure the country needs.

We are also excited about delivering more for the environment through our change programme. Our four shifts (visibly driving the NRN, developing strategic plans for places, tackling barriers to nature, and being evidence and evaluation led) are helping us in our mission of Building Partnerships for Nature's Recovery. This in turn will take us a major step closer to achieving the goals set out in the 25 Year Environment Plan.

The effort needed to secure the recovery of nature is huge and will require close cooperation across all levels of government, landowners, business, and society. This includes Defra group because there are many synergies between our various duties and objectives which, if we make the most of them, will ensure that every pound spent achieves multiple benefits. The Green Paper has identified the need to look at the delivery landscape for nature and we will work hard within the principles it sets out so that we can achieve even more through stronger teamwork with our agency partners.



Marian Spain

Chief Executive
Natural England

30 June 2022

Performance Report

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

Overview

Our purpose and activities

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

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

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

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

The 25-year Environment Plan and the Defra Strategy

The Government's [25 Year Environment Plan](#) (25YEP) launched in 2018, sets out a comprehensive and long-term approach to protecting and enhancing natural landscapes and habitats in England for the next generation. Its goals are simple: cleaner air and water; plants and animals which are thriving; and a cleaner, greener country for us all. (Since the UK Government is responsible for a number of policies and programmes which affect sectors across the UK and internationally, some aspects of Government Plans will apply to the UK as a whole. In other areas where environmental policy is devolved, responsibility rests with the Scottish Government, Welsh Government and Northern Ireland Executive, this document applies to England only).

The key commitments of the plan have been incorporated into Defra's strategy. The Defra Group [Outcome Delivery Plan for 2021/22](#) priority outcomes are summarised below.

1. Improve the environment through cleaner air and water, minimised waste, and thriving plants and terrestrial and marine wildlife.
2. Reduce greenhouse gas emissions and increase carbon storage in the agricultural, waste, peat, and tree planting sectors to help deliver net zero.
3. Reduce the likelihood and impact of flooding and coastal erosion on people, businesses, communities, and the environment.
4. Increase the sustainability, productivity and resilience of the agriculture, fishing, food, and drink sectors and enhance biosecurity at the border.

Natural England as a member of the Defra group has an important role; using its own unique powers to contribute to delivery of these outcomes, in particular around climate change mitigation and adaptation, thriving marine and terrestrial wildlife and enhanced beauty, heritage and engagement with the natural environment.

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

Natural England's Operating Structure

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

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

The Board is appointed by the Secretary of State and is made up of a Chairman and currently ten members. Details of the Board and Senior Leadership team are included in the Governance Statement (page 40) and Remuneration report (page 48).

Natural England's Strategy

This year has been our second year of delivering our five-year strategy to establish our vision of thriving Nature for people and planet in line with delivering the Government's 25 Year Environment Plan. Our [Action Plan](#) for the financial year 2021/22 underpins our ambition not just to improve nature, but to see it thriving everywhere, because a healthy natural environment is fundamental to everyone's health, wealth and happiness.

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

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

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

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

Natural England Strategy

Natural England Strategy	
Vision	Thriving nature for people and planet
Mission	Building partnerships for nature's recovery
Five-year aims	1) Well managed nature recovery networks across land, water and sea delivering resilient ecosystems rich in wildlife and character, enjoyed by people, and widely benefitting society.
	2) People connected to the natural environment for their own and society's wellbeing, enjoyment, and prosperity.
	3) Nature based solutions contributing fully to tackling the climate change challenge and wider environmental hazards and threats.
	4) Improvements in natural capital underpinning sustainable economic growth, healthy food systems and prospering communities.
	5) Evidence and expertise are used by a broad range of partnerships, organisations, and communities to achieve nature recovery and enable effective regulation and accreditation.
	6) A values-led organisation which delivers excellent service standards to all partners, organisations and communities engaged in achieving nature's recovery.
Strategic Programmes	1) Greener farming and fisheries - supporting those who manage land and sea to operate in harmony with the environment.
	2) Sustainable development - creating great places for people to live and work.
	3) Connecting people with nature - promoting health and wellbeing through the great outdoors.
	4) Resilient landscapes and seas - protecting and restoring wildlife and natural beauty for future generations.
	Underpinned by;
	5) Specialist Science and Evidence - we realise our ambition for Natural England to be an evidence-led organisation.
6) Managing the Organisation - a values-led organisation which delivers excellent service standards to all partners, organisations and communities engaged in achieving nature's recovery.	

Performance and Risk Summaries

Performance Summary:

Natural England's performance framework is based around our five-year aims as shown above. Under each of these aims sit fourteen outcome-driven Key Performance Indicators (KPIs); and below these an annual suite of in-year delivery Progress Indicators (PIs). We monitored our 2021/22 delivery performance through this suite of 28 in-year PIs. This performance framework is agreed by the Natural England Board at the start of each year, reflects our priorities as agreed with Defra and provides a line of sight to the Defra Outcome Delivery Plan. We set out where each PI appears within the Defra Outcome Delivery Plan in the following section. Our framework also enables us to integrate the management of our delivery targets, our finances, our people, and our risks within our overarching governance arrangements.

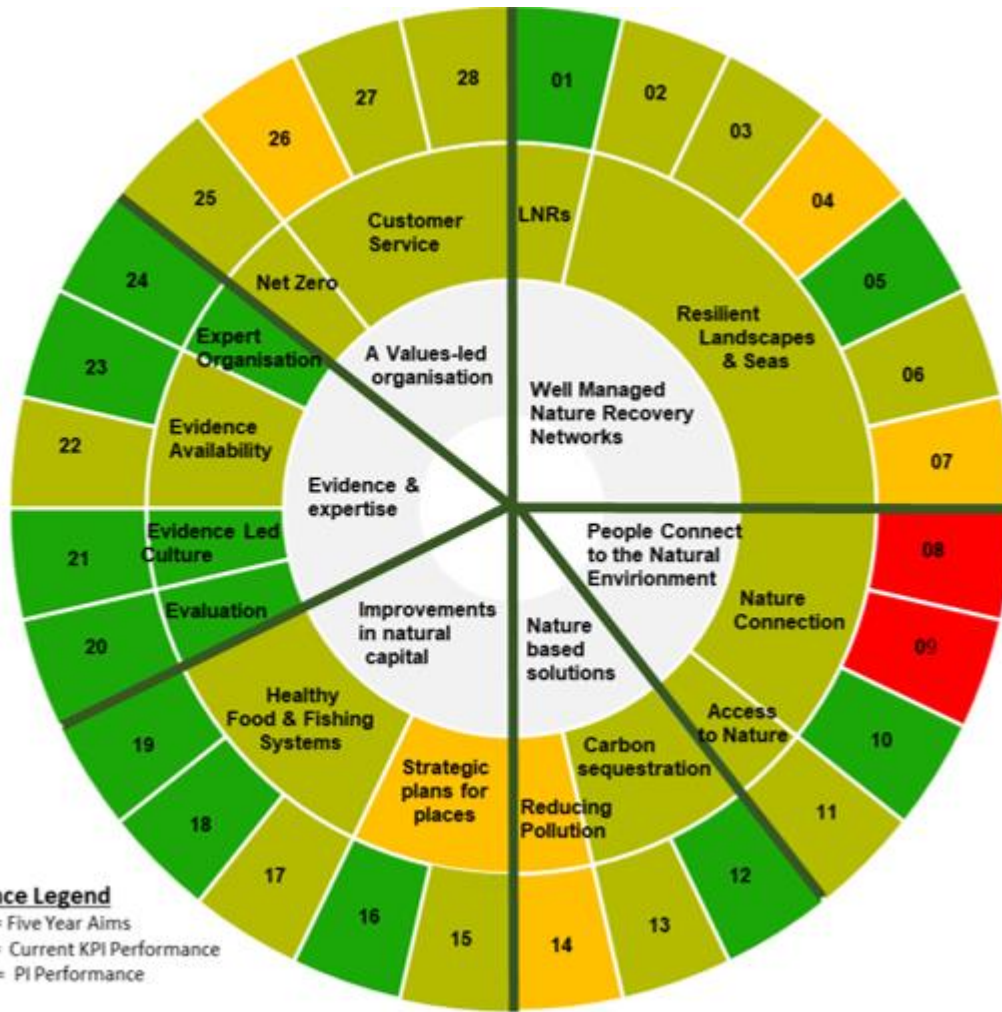
We use a four-level assessment for our PI performance (Green; Amber Green; Amber Red and Red). We have achieved a good operational performance demonstrated by 22 of our 28 in-year PIs being rated either Green or Amber-Green and 6 rated Amber-Red or Red.

This performance across our 28 PIs reflects a positive year particularly in the context of significant and rapid growth, large recruitment intakes and continued pressures from the pandemic. This is testament to the hard work of our staff across the business.

The year has also not been without challenges. Several areas of the business have been under significant pressure to meet competing demands. We remain focused on ensuring the wellbeing of our staff alongside strong delivery.

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

Natural England Performance Outturn 2021/22



Progress Indicator (mid circle) numbering	
1 Local Nature Recovery Strategies	15 Plans for Places
2 Nature Recovery Network	16 Green Strategic Solutions
3 SSSIs Favourable Condition	17 Future Land Management Schemes
4 Marine Protected Areas	18 Advice for Fisheries Management
5 Landscape Designations	19 Advice on Fisheries Policy
6 Protected Species	20 Doing and Learning
7 Planning Casework/Net gain	21 Evidence Statements
8 BAME Inclusion	22 Access to Data
9 England Coast Path	23 Natural Capital Ecosystem
10 Green Infrastructure	24 Evidence Learning Opportunities
11 Social Prescribing	25 Carbon Footprint
12 Current Agri-environment Schemes	26 Diversity, Inclusion & Wellbeing
13 Nature for Climate Fund	27 Health & Safety
14 Catchment Sensitive Farming	28 Customer Service Standards

Risk Summary

Over 2021/22 Natural England managed a range of corporate risks which had the potential to impact upon delivery of the 2021/22 Action Plan and thereby on the organisation's ability to meet its strategic objectives and overarching mission to build partnerships for nature's recovery.

The corporate risks outlined below represent those we have identified during the year as having the greatest potential to affect the delivery of our long-term outcomes. 2021/22 has been recognised as an exceptional year where increased resource has led to a wider ambition of work, with more partners, against a backdrop of a heightened awareness of the importance of the natural environment. All these factors are reflected in our risk profile below.

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

(1) External Influence and Reputational Management

Wider partnership working means developing high quality, enduring relationships with key partners and hence there is a risk that sub-optimal partnership working would compromise our ability to work collaboratively to deliver environmental improvements

(2) Spending Review

During 2021/22 there was a risk that Natural England would receive a settlement from the Comprehensive Spending Review that may constrain our ability to deliver our strategic objectives

(3) Our Workforce

Natural England has an ongoing need to be able to attract, recruit and retain a high performing and diverse workforce in order to meet our objectives. With an increase in the ambition of our work came an increased risk in being able to meet our resourcing needs.

(4) Cyber-Security

Increasingly sophisticated cyber-attacks and other security incidents are an ongoing and evolving risk to the organisation's safe operation.

The key in-year delivery risks were:

(5) In-Year Budget Challenges

Natural England has faced a challenge of not being able to commit and spend its full annual budget due to ongoing large-scale recruitment activities and pressures on our commercial services.

(6) Future Ways of Working – Post Covid-19

The changing working environment post-Covid-19 means that there is a risk as to how quickly and securely the new ways of working can be adopted across the organisation whilst continuing to safeguard staff wellbeing and deliver our mission.

Further details around each of these risks and the mitigations put in place to minimise them are discussed below. Please refer to the Governance Statement (page 40) for further context.

Performance and Risk analysis

Analysis of our 2021/22 in-year Performance Indicators is provided in the following table;

Our 2021/22 Performance Indicators	Our Performance	RAG
KPI A: Local Nature Recovery Strategies are in place & influencing local environmental decision making		
<p>1. Local Nature Recovery Strategies national rollout programme on track for 2022.</p> <p>-----</p> <p>Defra Priority Outcome 1: Environment Outcome 1.4: Thriving plants and wildlife terrestrial and marine</p>	<p>a) <i>Natural England support Defra to develop and publish the Statutory Guidance and Regulations by April 2022.</i></p> <p>b) <i>National Habitat Map completed and ready for national launch of LNRs in April 2022.</i></p> <p>c) <i>Natural England has developed local capacity to support proposed Responsible Authorities in England ready for national launch in April 2022.</i></p> <p>LNRs (Local Nature Recovery Strategies) set out the spatial framework for nature recovery across the whole of England. Natural England in conjunction with Defra is developing the Regulations and Statutory Guidance. Key activities have included completion of the LNRs pilots and our input into the response to the LNRs Public Consultation. In preparation for the national launch, we have established a joint working framework with the Environment Agency and the Forestry Commission and supported Defra in identifying 48 provisional “responsible authorities” covering all of England.</p>	Green
KPI B: Landscapes and seas are becoming more resilient		
<p>2. A growing set of national and local partners and partnerships, actively supporting the growth of the Nature Recovery Network.</p> <p>-----</p> <p>Defra Priority Outcome 1: Environment Outcome 1.4: Thriving plants and wildlife terrestrial and marine</p>	<p>a) <i>50,000 hectares of wildlife rich habitat that partners have committed to support delivery of the Nature Recovery Network.</i></p> <p>b) <i>750 organisations who support the objectives of the Nature Recovery Network and become members of the Nature Recovery Network partnership (increase from 400).</i></p> <p>c) <i>5 landscape scale areas for nature recovery and nature-based solutions have been identified and plans in place for delivery.</i></p> <p>153, 739 hectares of wildlife rich habitat have been committed to the delivery of the NRN (Nature Recovery Network) from National Parks and Areas of Outstanding Natural Beauty (AONB). To date 668 organisations have signed up to be a partner in the delivery of the NRN. This ranges from charities through to large multinationals and we will work with each partner to identify their unique contributions. We are identifying where there may be gaps amongst our key stakeholders with the view to increasing NRN membership further and to target delivery opportunities. We have partnered and supported six nature recovery area projects working collaboratively with local partners towards a shared, long-term vision for place-based nature recovery.</p>	Amber Green
<p>3. Improve confidence in our Sites of Special Scientific Interest (SSSIs) data and information to support delivery</p>	<p>a) <i>An increase of 5,000 active threats and remedies which have been reviewed and updated with relevant information to support specific interventions on site.</i></p> <p>b) <i>3,500 units where the condition assessment on CMSi (Conservation Management System) is updated in 2021/22.</i></p>	Amber Green

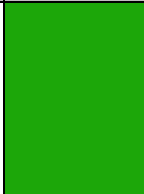
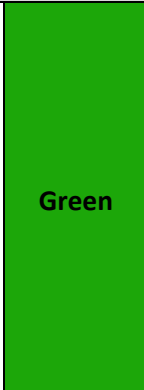
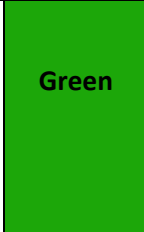
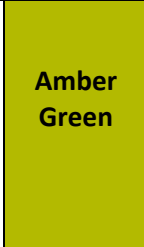
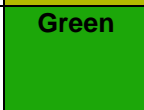
Our 2021/22 Performance Indicators	Our Performance	RAG
<p>of the 25 Year Environment Plan goal to get 75 per cent of SSSIs into favourable condition.</p> <p>-----</p> <p>Defra Priority Outcome 1: Environment Outcome 1.4: Thriving plants and wildlife terrestrial and marine</p>	<p><i>c) An increase of 900 features which have a recorded condition.</i></p> <p>Improving the condition of Sites of Special Scientific Interest (SSSIs) significantly contributes to delivering a healthier more resilient natural environment. We continue to focus our delivery on improving our evidence base. We updated 5,869 targeted threats and remedies to understand the actions required to maintain and secure SSSI favourable condition. When site visits were possible during the year, we assessed 3,419 units to better understand their condition and whether actions on the ground are delivering the desired environmental outcomes. Desk-based assessments contributed to an increase of 753 SSSI monitored features with a recorded SSSI condition. This groundwork has enabled us to develop a prioritised monitoring plan to really focus on the SSSI ambitions set out in the 25 Year Environment Plan.</p>	<p>Amber Green</p>
<p>4. Natural England's marine advice and regulation is driving Good Environmental Status (GES) across our Marine Protected Area network and wider seas.</p> <p>-----</p> <p>Defra Priority Outcome 1: Environment Outcome 1.4: Thriving plants and wildlife terrestrial and marine</p>	<p><i>a) Conservation advice and condition assessments delivered on schedule to support regulators and evidence.</i></p> <p>This year, we enabled statutory authorities to make better decisions that inform nature recovery actions by publishing a total of 65 Marine Conservation Advice Packages, exceeding the planned total of 61 packages. This included 17 final formal packages; 15 new drafts; 2 revisions of previous advice; and 31 updates to existing advice. However, due to temporary marine specialist resource challenges, we were only able to publish 5 of the planned 80 condition assessments of marine features. We have implemented a recovery plan to develop and implement an on-going Marine Condition Assessment delivery plan which gives us confidence in our delivery for the year ahead.</p>	<p>Amber Red</p>
<p>5. New Landscape Designations programme approved and being implemented.</p> <p>-----</p> <p>Defra Priority Outcome 1: Environment Outcome 1.4: Thriving plants and wildlife terrestrial and marine</p>	<p><i>a) Agreed designations programme being delivered.</i> <i>b) Alternative landscape approaches' proposals developed by end of Quarter Four 2021/22.</i></p> <p>We trialed a new stakeholder engagement process in the Surrey Hills Area of Outstanding Natural Beauty (AONB) extension and formal assessments have now started both here and on the potential Yorkshire Wolds AONB. We are engaging with stakeholders on extending the Chilterns AONB and a new Cheshire Sandstone Ridge AONB. Evidence gathering and stakeholder engagement for our "All England Assessment" of where might qualify for future landscape designation is also underway.</p>	<p>Green</p>
<p>6. Licensing improves the conservation status of protected species.</p> <p>-----</p> <p>Defra Priority Outcome 1: Environment Outcome 1.4: Thriving plants and wildlife terrestrial and marine</p>	<p><i>a) Deliver the developer pipeline we have established by creating/restoring a minimum of 949 ponds in 2021/22.</i> <i>b) Ensure we are fully prepared to deliver circa 1,000 compensation ponds each future financial year to service developer demand for district level licensing.</i> <i>c) Progress in implementing the licensing review.</i></p> <p>This year, 941 ponds have been restored or created with £4.73 million invested into suitable great crested newt (GCN) habitat across England. We continue to work closely with our partners to increase habitat availability, although</p>	<p>Amber Green</p>

Our 2021/22 Performance Indicators	Our Performance	RAG
	<p>landowners are also considering alternative options to district level licensing. These include agri-environment schemes and biodiversity net gain. We have also seen excellent progress in several of our licensing review projects. Work this year on the three Species Conservation Strategy pilots means these should be operational 2022/23. Through co-creation with partners, the bat earned recognition pilot is now fully operational with ecologists accredited, a new site permissions portal open, and an evaluation plan in place. We have also implemented wider improvements to the licence application process.</p>	
<p>7. Planning casework advice and biodiversity net gain contributes to nature recovery.</p> <p>-----</p> <p>Defra Priority Outcome 1: Environment Outcome 1.4: Thriving plants and wildlife terrestrial and marine</p>	<p>a) <i>50 hectares identified and planned for net gain habitat creation and enhancement.</i> b) <i>Progress in implementing change plan towards high environmental value casework.</i></p> <p>Natural England has supported the creation of 131 hectares of wildlife-rich habitat. We have also helped enhance a further 217 hectares through six projects that are making an important contribution to testing Biodiversity Net Gain (BNG) as an investment mechanism for nature's recovery. We have focused this year on enhancing staff capability as we shift focus to cases that have either the highest environmental risk or opportunities for large scale environmental benefits. Some of the more complex project actions within the change plan to reduce medium and lower risk casework have remained incomplete this year as we refresh our priorities. However other project progress has been good as reforms are rolled out and strong plans are put in place for the coming year.</p>	<p>Amber Red</p>
<p>KPI C: There is a positive trend of increasing levels of nature connection</p>		
<p>8. Natural England is working inclusively, and staff body is representative of society.</p> <p>-----</p> <p>Defra Strategic Enabler 1: Great people: Workforce, skills, and location Outcome 1.1: Defra group is inclusive and a great place to work, attracting and retaining talent from across the country</p>	<p>a) <i>13.8 per cent of our newly recruited staff from ethnic minority backgrounds (Source: Office for National Statistics 2018 – UK population from a minority ethnic background).</i> b) <i>Progress in implementing the recommendations of the forthcoming State of Diversity in the sector report.</i></p> <p>We set an ambitious and challenging target this year and we recognise that more progress needs to be made. In the last twelve months we have offered roles to 44 candidates (18 internal) declaring an ethnic minority background at application stage. As a result, 26 new staff joined Natural England, 5 per cent of our new recruits. We have specifically advertised on platforms and refreshed our role descriptions to be more inclusive and attractive to candidates from diverse communities. Our Equality, Diversity, and Inclusion Action Plan for 2022/23 includes a review of our recent recruitment campaigns that will inform next steps of our inclusive recruitment work. We are a key participant in implementing the recommendations of the State of Diversity in the Sector report.</p>	<p>Red</p>
<p>9. England Coast Path ready for opening – all reports submitted to Secretary of State for approval, and establishment works in train.</p> <p>-----</p> <p>Defra Priority Outcome 1: Environment</p>	<p>a) <i>Establishment works complete or in train.</i></p> <p>This year we reviewed our performance using the number of England Coast Path (ECP) establishment works complete or in train as measured by the offer of at least one establishment grant per stretch of coast. Positive ECP establishment continues with our local authority partners despite being slower than anticipated due to local</p>	<p>Red</p>

Our 2021/22 Performance Indicators	Our Performance	RAG
Outcome 1.5: Improved access to nature	constraints compounded by Covid-19. 37 of a total 67 ECP stretches (we targeted 59 stretches in 21/22) have received establishment grant funding. This partnership working has yielded various successes this year over the various stages of England Coast Path development. For example, we published our proposals for improved, continuous public access for 89 miles around the Humber estuary in May 2021 and opened stretches in Essex, Cumbria and Kent including an 11-mile stretch in south Cumbria formally opened in February 2022 taking in part of the Lake District National Park and Duddon Estuary. Overall, proposals for 2,674 of 2,690 miles have been submitted to government for approval; 1,939 miles have been approved, and 517 miles completed.	RAG
<p>10. An increasing proportion of people (adults and children) have access to good quality natural green spaces close to home.</p> <p>-----</p> <p>Defra Priority Outcome 1: Environment Outcome 1.5: Improved access to nature</p>	<p>a) <i>Compile a draft national baseline Geographic Information Systems (GIS) map of accessible natural greenspace provision that is close to home across England, with GIS analysis to enable a focus on areas of greatest deficits of provision and/or quality. Make available as open data [and Public Sector Geospatial Agreement (PSGA) PSGA licensed data] to local planning authorities.</i></p> <p>In December 2021 we published the draft national Green Infrastructure Mapping Database and associated open data download (via data.gov) which sets out the accessible natural greenspace provision across England. This included publication of an initial high-level analysis of the baseline data on access to natural green space close to home.</p>	Green
KPI D: General population is increasingly aware of the importance of nature recovery in order for us to all live well		
<p>11. Nature is embedded in Social Prescribing National Delivery Model.</p> <p>-----</p> <p>Defra Priority Outcome 1: Environment Outcome 1.7: Thriving rural economies and communities</p>	<p>a) <i>Deliver Green Social Prescribing interventions as part of a pilot programme.</i></p> <p>Social Prescribing refers to taking a holistic approach to individual health by connecting people to community groups and statutory services for practical and emotional support. Natural England plays a key role alongside our partners in facilitating links between a range of health organisations and Green Social Prescribing (GSP) providers, recognising the wellbeing benefits of engaging with the natural environment. In addition to our planned contributions to the pilot programme, we contributed £25k towards developing local GSP offers and partnerships and commissioned a £97k programme of work to the National Academy of Social Prescribing (NASP) for evidence reviews, advocacy tools and learning products to inform future delivery.</p>	Amber Green
KPI E: Land management and land use change are contributing to net zero through enabling greater carbon sequestration and storage		
<p>12. The area of land in current agri-environment schemes is maintained and contributes to net zero and 25-Year Environment Plan goals.</p> <p>-----</p> <p>Defra Priority Outcome 2: Net Zero Outcome 2.1: Contribution to carbon</p>	<p>a) <i>Undertake technical assessment of 400 Countryside Stewardship Higher Tier applications.</i> b) <i>Develop with the applicant the 300 highest scoring Countryside Stewardship Higher Tier applications.</i></p> <p>The area of land in current agri-environment schemes contributes to net zero and 25-Year Environment Plan goals. Natural England undertakes technical assessments on Countryside Stewardship (CS) schemes and makes recommendations to the Rural Payments Agency (RPA). This year 433 CS Higher Tier (HT) 31 December 2022 expiring agreements were recommended as suitable for mirror offers by 28 February 2022 in line with the RPA target. 356 CS</p>	Green

Our 2021/22 Performance Indicators	Our Performance	RAG
budgets 4/5/6	HT applications were handed to RPA for processing and offer to applicants.	
<p>13. The Nature for Climate Fund enables delivery of the peat action plan and the Nature Recovery Network.</p> <p>-----</p> <p>Defra Priority Outcome 2: Net Zero Outcome 2.2: Restored peatland and wetland habitats</p>	<p>a) <i>4,143 hectares peat restoration underway resulting in improved condition.</i></p> <p>The Nature for Climate Peatland Grant Scheme launched in summer 2021, offering multi-year grants to bring 35,000 hectares under restoration management by 2025. Over the winter, 5 Restoration and 10 Discovery projects started restoration works on 1,870 hectares and carried out preparatory investigations on 4,000 hectares, aiming to bring these under restoration by 2025. The funded planning time proved very popular with applicants and the Discovery projects will investigate another 38,000 hectares in 2022/23. Additionally, under Defra Priority Outcome 2.3 'Increased tree planting and woodland management', Natural England is consulted on woodland establishment applications as part of Defra's (£700 million over five years) Nature for Climate Fund England Tree Action Plan. This is a significant programme of support for nature recovery.</p>	Amber Green
KPI F: The impact of agriculture on diffuse water and atmospheric pollution reduces		
<p>14. Natural England's advice to farmers is reducing the impact of farming on Nature.</p> <p>-----</p> <p>Defra Priority Outcome 1: Environment Outcome 1.2: Clean and plentiful water</p>	<p>a) <i>Natural England's advice to 5,000 farms is targeted to high priority catchments and features through Countryside Stewardship and Catchment Sensitive Farming.</i></p> <p>b) <i>60 per cent of our recommended measures implemented.</i></p> <p>Over the course of this year, we provided advice to 4,171 farms in high priority catchments and our annual assessment identified that 62 per cent of our recommended measures had been implemented. This has been a challenging delivery year, but our newly recruited and trained staff are now in place to enable us to deliver our target in the coming year.</p>	Amber Red
KPI G: Responsible authorities have plans and policies in place that grow natural capital, build climate resilience, and implement nature-based solutions		
<p>15. Natural England's strategic advice to responsible authorities helps build Local Planning Authority capability.</p> <p>-----</p> <p>Defra Priority Outcome 1: Environment Outcome 1.8: Strong environmental governance (incl. Office for Environmental Protection)</p>	<p>a) <i>Progress in implementing change plan for local strategic plans.</i></p> <p>b) <i>20 responsible authorities receiving proactive advice on local plans and policies.</i></p> <p>This year we have delivered a change project to increase our place-based capacity and capability to deliver integrated advice to partners on Local Nature Recovery Strategies, Biodiversity Net Gain, Green infrastructure, Local Development Plan activity and Protected Sites Strategic Solutions. As a result, we are now better able to collaborate with our partners in developing the most effective strategic plans for delivering nature recovery and providing benefits to people on the ground.</p>	Amber green
16. Develop strategic solutions to development.	a) <i>The Local Planning Authorities in 10 geographic affected areas (e.g. catchments) are engaged with on strategic solutions – either in development or implemented.</i>	

Our 2021/22 Performance Indicators	Our Performance	RAG
<p>-----</p> <p>Defra Priority Outcome 2: Net Zero Outcome 2.4: Reduced emissions from waste sector and increased resource efficiency</p>	<p><i>b) Progress in implementing strategic solutions for offshore wind.</i></p> <p>Our Area Teams have been working with ten Local Planning Authorities to help deliver Strategic Solutions for Nutrient Neutrality (water quality), Recreational Disturbance, and Air Quality. Our strategic solutions work for offshore wind has involved delivering some important projects on marine planning, mitigation, and compensation including playing a role as part of Defra group’s Offshore Wind Enabling Actions Programme. We have launched our Offshore Wind Approach including full funding for the POSEIDON project, a 3-year project to map environmental risks and opportunities for future offshore wind developments, funded by the Crown Estate and partnered by the Department for Business Energy and Industrial Strategy; and Defra.</p>	Green
KPI H: Natural England’s advice supports land and sea managers to deliver sustainable farming and fishing systems		
<p>17. Future Land Management schemes include measures that support environmental delivery against 25 Year Environment Plan and net zero outcomes.</p> <p>-----</p> <p>Defra Priority Outcome 2: Net Zero Outcome 2.1: Contribution to carbon budgets 4/5/6</p>	<p><i>a) Provide advice to support development of options for Local Nature Recovery rollout</i></p> <p>‘Natural England is working with Defra and partner Arms-Length Bodies to develop Local Nature Recovery options for future scheme rollout. Early roll out is planned to start in 2023. Our focus this year has been to collectively develop the standards and guidance notes for the Sustainable Farming Incentive, and to develop our role as a Delivery Body for Landscape Recovery work</p>	Amber Green
<p>18. Environmental advice for fisheries and aquaculture management is used by regulators to drive sustainable fishing and environmental improvements.</p> <p>-----</p> <p>Defra Priority Outcome 4: Agriculture, food, fisheries, animal welfare and biosecurity. Outcome 4.2: A productive and sustainable UK fishing industry</p>	<p><i>a) 95 per cent of Natural England’s fisheries advice provided within statutory and agreed time frames.</i></p> <p>This year Natural England responded within statutory and agreed time frames to all 70 consultations we received asking for formal advice on Habitats Regulations Assessments and Marine Conservation Zone Assessments of commercial fishing activity. We have also been working closely with the Marine Management Organisation, providing informal advice to ensure we have a shared understanding of the evidence base to underpin future fisheries work.</p>	Green
<p>19. Natural England’s advice on policy protects the marine environment from fisheries impacts.</p> <p>-----</p>	<p><i>a) Submitted evidence and advice to Defra shapes evolving fisheries policy so that it drives fisheries management to deliver the 2020 Fisheries Act ecosystem objective and Good Environmental Status (GES) across our seas.</i></p> <p>This year we have provided a broad range of advice to Defra on how emerging fisheries policies could be shaped to</p>	Green

Our 2021/22 Performance Indicators	Our Performance	RAG
Defra Priority Outcome 4: Agriculture, food, fisheries, animal welfare and biosecurity Outcome 4.2: A productive and sustainable UK fishing industry	ensure the marine environment is better protected. Our advice also contributes to both the 2020 Fisheries Act ecosystem objective and delivery of the UK Marine Strategy target of Good Environmental Status.	
KPI I: Doing Evaluation, and learning from it, is part of NE culture		
20. Improved “doing and learning” from evaluation. ----- Defra Strategic Enabler 3: Better outcomes: Delivery, evaluation, and collaboration	a) <i>Theories of Change completed and being used to drive delivery improvements for each of the major programmes.</i> b) <i>Quality-assure 50 per cent of our staff who were previously trained in evaluation techniques during 2020/21.</i> A Theory of Change is an established business process that aids development of comprehensive delivery evaluation plans. These plans assess how far a programme delivery approach is informing such issues as risk management, work prioritisation and resource allocation. Each of our Delivery Programmes and sub-programmes now has a Theory of Change in place. Ongoing quality-assurance of our internal evaluation training, commencing with our 2020/21 cohort, is showing that staff are integrating this learning into their regular work developing their own theory of change and evaluation frameworks. Our evaluation network and Masterclasses (training on evaluation specifics) are also proving a success.	
KPI J: Natural England has a fully embedded culture of being science and evidence led		
21. Evidence Statements support decision making and resource use. ----- Defra Strategic Enabler 3: Better outcomes: Delivery, evaluation, and collaboration	a) <i>Evidence statements completed for all programmes and used to inform resourcing decisions.</i> Initial Evidence Statements for our four key Delivery Programmes have been co-created in a collaborative and consistent method, which enables our Delivery Programmes to begin assessing their evidence-based needs. These versions were used in to inform our 2022/23 business planning process.	
KPI K: We ensure we make clear evidence available so it can be central to all our decision making, delivery, advice, and risk assessment		
22. Better access to robust data to support decisions. ----- Defra Strategic Enabler 2: New Ideas: Innovation, technology, and data	a) <i>Revised standards for accessing and using our data and evidence are published, promoted, and fully adopted.</i> Natural England depends upon sound quality-assured evidence about the natural environment to meet its responsibilities as an environmental delivery organisation and as a statutory adviser to Government and others. We have now refreshed our Data Governance and Evidence Standards which set out how we use our evidence in delivering our remit and we are now quickly working towards full adoption of these new standards.	
23. The Natural Capital Ecosystem Assessment (NCEA) Programme will develop and pilot a range of	a) <i>Implement the NCEA terrestrial extended Pilot through detailed planning (end of July) and delivery of the six NCEA projects (end of March).</i> b) <i>Deliver one quick win marine NCEA project (i.e. to assess whether sufficient existing evidence to assess natural</i>	

Our 2021/22 Performance Indicators	Our Performance	RAG
<p>techniques to gather quality data on the location of natural capital assets on land and at sea.</p> <p>-----</p> <p>Defra Strategic Enabler 3: Better outcomes: Delivery, evaluation, and collaboration</p>	<p><i>capital accounts for a sand eel fishery) by end of September.</i></p> <p>The Natural Capital Ecosystem Assessment (NCEA) is a comprehensive programme that assesses the state and condition of biodiversity, ecosystems, and natural capital assets. The NCEA provides an evidence-led approach to decision making across multiple policy areas from the national to the local level which will improve decision-making and ultimately the success of Defra's key outcomes. NCEA will inform design of some policies across Environment, Climate, Agriculture, Food and Fisheries objectives. Six terrestrial and five proof of concept marine NCEA Projects were delivered this year. We completed our one quick win marine NCEA project about natural capital accounts for the North Sea sand eel fishery by the end of September which we followed up with a peer review project building on how the findings can contribute to policy decisions.</p>	Green
KPI L: Natural England remains an expert organisation which continually invests in its capability		
<p>24. Chief Scientist Directorate staff provide learning opportunities based on their expertise to colleagues.</p> <p>-----</p> <p>Defra Strategic Enabler 1: Great people: Workforce, skills, and location</p>	<p>a) <i>Reported positive improvements in staff scientific knowledge.</i></p> <p>We have completed benchmarking and baselining research projects to refresh our understanding of existing capabilities and learning needs to support the technical learning available to all staff. We have delivered an expanded training programme in new growth areas and our new forward planner will give staff enhanced access to these learning opportunities.</p>	Green
KPI M: Natural England's operations and ways of working make the maximum contribution possible to net zero		
<p>25. We have a good understanding of our entire carbon footprint and have agreed long-term steps to make further reductions.</p> <p>-----</p> <p>Defra Priority Outcome 2: Net Zero Outcome 2.1: Contribution to carbon budgets 4/5/6; and Defra Strategic Enabler 4: Sustainability</p>	<p>a) <i>We adopt a robust methodology for measuring our carbon footprint.</i> b) <i>We have identified and prioritised the primary options for reducing our corporate carbon footprint.</i></p> <p>We have refined our energy baseline using 19/20 (a pre-Covid-19 financial year) and created a travel carbon reporting dashboard. We have also developed our methodology for modelling the carbon costs of our whole office estate, commuting and homeworking. These will be subject to further analysis and verification in 2022/23. By investing time tracking and reporting regular travel and travel emissions data, we have been able to identify provisional targets for our organisational travel carbon reduction on a multi-year basis. We have also started to identify our wider environmental impacts of water, waste, procurement etc.</p>	Amber Green
KPI N: Natural England's customers and partners receive inclusive, trustworthy, high quality and valued support and engagement		
<p>26. Improvements in 2020 people survey key areas of engagement, diversity, inclusion, and wellbeing.</p> <p>-----</p> <p>Defra Strategic Enabler 1: Great people:</p>	<p>a) <i>Employee engagement index rises by 2 per cent to 62 per cent.</i> b) <i>80 per cent of staff believe Natural England is committed to creating a diverse and inclusive workplace.</i> c) <i>80 per cent of staff respond positively to 'I believe my organisation cares about my wellbeing'.</i></p> <p>Our Winter 2021 staff survey results showed that our Employee Engagement Index (responses to survey questions</p>	Amber Red

Our 2021/22 Performance Indicators	Our Performance	RAG
Workforce, skills, and location	that assess factors such as the effort and enthusiasm staff put into their daily activities) rose to 63.1 per cent (1.1 per cent above target); 84.2 per cent of our staff agreed that we are committed to creating a diverse and inclusive workplace (4.2 per cent above target); though just 74 per cent of our staff (target 80 per cent) responded positively that Natural England cares about their wellbeing. To enhance our understanding of staff wellbeing, we have now completed the consultation phase of our Stress Root Cause Analysis project. Work will continue to maintain awareness of stress management, wellbeing, and resilience tools.	
<p>27. We provide and maintain a safe working environment, work practices, equipment, and facilities.</p> <p>-----</p> <p>Defra Strategic Enabler 1: Great people: Workforce, skills, and location</p>	<p>a) <i>Improve our Near Hit ratio by 10 per cent based on 2019/20 performance to bring us back in line from pre-Covid-19 statistics.</i></p> <p>b) <i>Teams identify and assess risks associated with their work and take action to implement proactive controls to reduce physical and emotional harm/ill health.</i></p> <p>c) <i>98 per cent of all NNR check lists are up to date and completed by end 2021/22.</i></p> <p>This year our ratio of Near Hits (events with the potential to cause harm) to Accidents (realised events that cause actual harm) was 2.4 which was above our pre-Covid-19 performance. Comprehensive reporting of Near Hits provides an evidence base that enables us to take action to reduce the number of actual Accidents. We support this evidence base by regular consultation and knowledge sharing with all our teams on their proactive work to reduce health and safety risks and promote wellbeing initiatives. 92 per cent of National Nature Reserve Health and Safety checklists were fully up to date at financial year-end and we will be giving this enhanced scrutiny in the coming year.</p>	Amber Green
<p>28. A high-quality service to our customers and meet our response obligations.</p> <p>-----</p> <p>Defra Cross Cutting Outcome</p>	<p>a) <i>80 per cent of statutory casework delivered within published timescales.</i></p> <p>b) <i>Develop and deliver a customer handling improvement plan.</i></p> <p>Our overall performance for statutory casework delivered within published timescales was 86.5 per cent, consisting of Wildlife Licensing (83.7 per cent); Planning Casework (90.7 per cent); and Designated Sites (87.0 per cent). Our progress towards delivering a new customer handling plan has been limited, although there have been some positive interventions on individual transactions for repeat customers and high opportunity casework for major infrastructure partners. This has been a transitional year as we resolve some key challenges to both capacity and capability.</p>	Amber Green

Analysis of our Risks 2021/22

This section outlines Natural England's principal corporate risks to our delivery of our mission and outcomes. It summarises the mitigating actions taken over the course of the financial year to control each risk and indicates any future action planned.

1. External Influence and Reputational Management:

Natural England faces an ongoing risk in securing appropriate engagement for our long-term organisational effectiveness which impacts on delivery of environmental improvements.

To mitigate this risk we have put provisions in place to support our relationship managers, so we are better connected with key partners, allowing for more meaningful collaboration. We have also developed our intelligence on current stakeholder relationships so we can better identify opportunities to form partnerships and bring others along in our place-based journey to protect and enhance the natural environment.

2. Spending Review

During 2021/22 there was a risk that Natural England would receive a settlement from the Comprehensive Spending Review that would negatively impact on our ability to deliver for the natural environment.

To mitigate this risk we set up a dedicated team to oversee our negotiations with Defra. Part of this team also had a hybrid role, working for the whole Defra group to oversee the biodiversity bid. These actions have resulted in a favourable Spending Review settlement for Natural England allowing us to deliver against our mission and vision over the next three years.

3. Our Workforce:

Natural England faces an ongoing challenge in being able to attract, recruit and retain a high performing and diverse workforce to meet its objectives and faces issues of not being able to procure suppliers and equipment quickly enough to support delivery.

To manage this situation, we have adapted our approach to recruitment to reach out and attract more diverse communities and we are improving our recruitment process to be ever more inclusive.

To complement this and ensure resilience, we are continuing to grow our staff skills by enhancing access to the technical or specialist training they require to complete their roles capably. This includes procurement training, so staff are better equipped to articulate our procurement needs. Taking this approach has empowered our staff with the aim of improving wellbeing by reducing stress levels and improving confidence in delivering their objectives.

To safeguard staff retention, we are reviewing our skills framework and employee offer, through collaboration with our trade union partners.

4. Cyber-Security:

Cyber-attacks are becoming ever more sophisticated, especially in the context of the wider political climate, and so Natural England is remaining vigilant and taking appropriate mitigation to manage cyber-threats.

Over the past year we have completed the roll out to upgrade from Windows 7 to Windows 10, which provides regular virus and malware checks, and compliance with our digital security regulations. In addition to this we are carrying out a review of our Legacy and Grey IT systems to ensure delivery can be safely maintained.

Digital security training is a mandatory requirement for all staff. This ensures that our staff are knowledgeable of digital risks such as 'phishing' and that they can handle sensitive data safely and securely.

Cyber- crime is a long-term threat and so we are continually investing in our digital security provisions to safeguard our organisational resilience to such risks.

5. In-Year Budget Challenges

Throughout 2021/22, Natural England has faced a challenge of not being able to commit and spend its full pay and programme budget due to ongoing large-scale recruitment and pressures on our commercial services. This posed a risk to our ability to achieve the desired environmental outcomes.

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

6. Future Ways of Working – Post Covid-19:

Following the pandemic, Natural England has confirmed that we are and need to remain a place-based organisation that needs to be fully connected to partners and customers, as well as to each other. We have communicated to staff that we see hybrid working as central to the delivery of that vision

In working through 2021/22, we have sought to respond to the changes in wider pandemic related regulations whilst maintaining the clarity of our longer-term vision. As we conclude this year, our workplaces are now largely open with capacities similar to the pre-pandemic position, and we continue to work with staff on how we embed hybrid working while continuing to seek to learn from others engaged in a similar journey.

Greening Government Commitments (GGC)

The Greening Government Commitments (GGCs) set out the actions UK government departments and their partner organisations will take to reduce their impacts on the environment in the period 2021 to 2025. The data from these actions are then used by Defra to report against the United Nations Sustainable Development Goals.

The key changes to the GGCs this year have been updating the target baseline year from 2009 to 2010 to 2017 to 2018, to build on the progress since 2009 to 2010, alongside setting more stretching targets on the core areas of emissions, water, waste, and domestic flights, and introducing new measures on biodiversity, climate adaptation and food waste more accurately.

Natural England in 2021/22 has reduced its total greenhouse gas emissions and water consumption against the new baseline. Detail this year has been difficult to reconcile due to continued fundamental changes to ways of working during Covid-19. Further summary information can be found in Annex One.

As an environmental organisational and as a public body, Natural England recognises the importance in practical and reputational terms of ensuring that, in addition to our direct work contributing to the improvement of the environment, we ensure that our ways of working also make a positive contribution in any way possible. We continue to improve our baseline carbon footprint measurement and started in 2021/22 capturing the impacts of home working and commuting.

Going forward later in 2022/23, to demonstrate our environmental transparency, integrity, and commitment to corporate sustainability beyond the GGC scope, we will produce a standalone environmental report. This would examine not just energy use, but also water, waste, sustainable procurement, and other currently unaccounted elements of our carbon footprint, adopting appropriate standards for data identification, measurement, analysis, and presentation.

Defra Group Commercial, who support Natural England in their procurement activities, continue to promote sustainable procurement through standing instructions within their policies and processes and their ambition to better understand not only our direct resource consumption but also upstream and downstream supply chain impacts.

Natural Capital

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

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

Review of 2021/22 Financial Performance

Summary of Financial performance and funding

Natural England's total Grant-in-Aid (GiA) funding delegation from Defra for the year was £161.6m (2020/21 £111.8m). We outturned to £151.8m (Revenue £128.2m; Capital £23.6m) so there was a resulting net underspend of £9.8m (Revenue £0.2m over/ 0.1%; Capital £10m under/ 30%). The capital underspend was the result of two significant land purchases which were not able to be exchanged and completed by 31 March 2022, both were successfully completed in the first half of 2022/23.

Our Key financial successes in 2021/22 included;

- | |
|--|
| - Achieving year-end revenue results (outturn) within 0.1% of agreed year end position even though NE overall Revenue expenditure had increased by 28% from 2020/21 |
| - Expenditure in total is c£51m/32% more compared to 2020/21, whilst still in the pandemic, the Government Internal Audit Agency (GIAA) annual audit opinion was maintained at "Moderate" for Natural England evidencing that standards of financial management and control have continued to be effectively maintained. |
| - Mitigating financial risks (loss of income and increased expenditure) as we come out of the Coronavirus pandemic. |

Natural England is predominantly funded by Defra grant-in-aid (89.3%), our funding agreement operates within the context of the Comprehensive Spending Reviews (CSR) which HM Treasury agrees with each Government Department. 2021/22 was the subject of a single year's review as a result of the Coronavirus pandemic, with a three-year settlement being undertaken over 2021/22 for the following financial periods 2022/23 to 2024/25.

Analysis of 2021/22 Operating costs (The Statement of Comprehensive Net Expenditure - SoCNE)

The Statement of Comprehensive Net Expenditure shows that Natural England's net operating costs for the year were £178.9m (£135.8m 2020/21). This was made up of Total operating costs of £196.7m net of total income of £17.8m. Capital investment totalled £12.6m.

(i) Revenue Expenditure

In the financial year 2021/22 our total funding grew by 66% and our full-time equivalent staffing level increased by 20 per cent. This increased funding was used to carry out our statutory duties (previously identified as underfunded) and to achieve, with partners the big ambitions for nature recovery in England. This additional funding has enabled us to invest in our staff, our National Nature Reserves, new technology and a better evidence base. We have also been able to increase our external programme budget as we sought to deliver outcomes through partnerships with others. Specifically, we have

- invested in new staff and developing the skills of existing staff in order to provide a diverse and resilient workforce in order to succeed in their work and adapt to future challenges.
- visibly started to drive and establish an evidence-led Nature Recovery Network – The Nature Recovery Network is the Government's commitment to Nature recovery within the 25 Year Environment Plan, restoring sites, species, and landscape quality through

rebuilding ecosystems across the land and sea and in our towns and cities. Delivery is being supported by new tools including biodiversity net gain, conservation covenants and the future land management schemes, working alongside a broader investment base, and work has commenced on all of these.

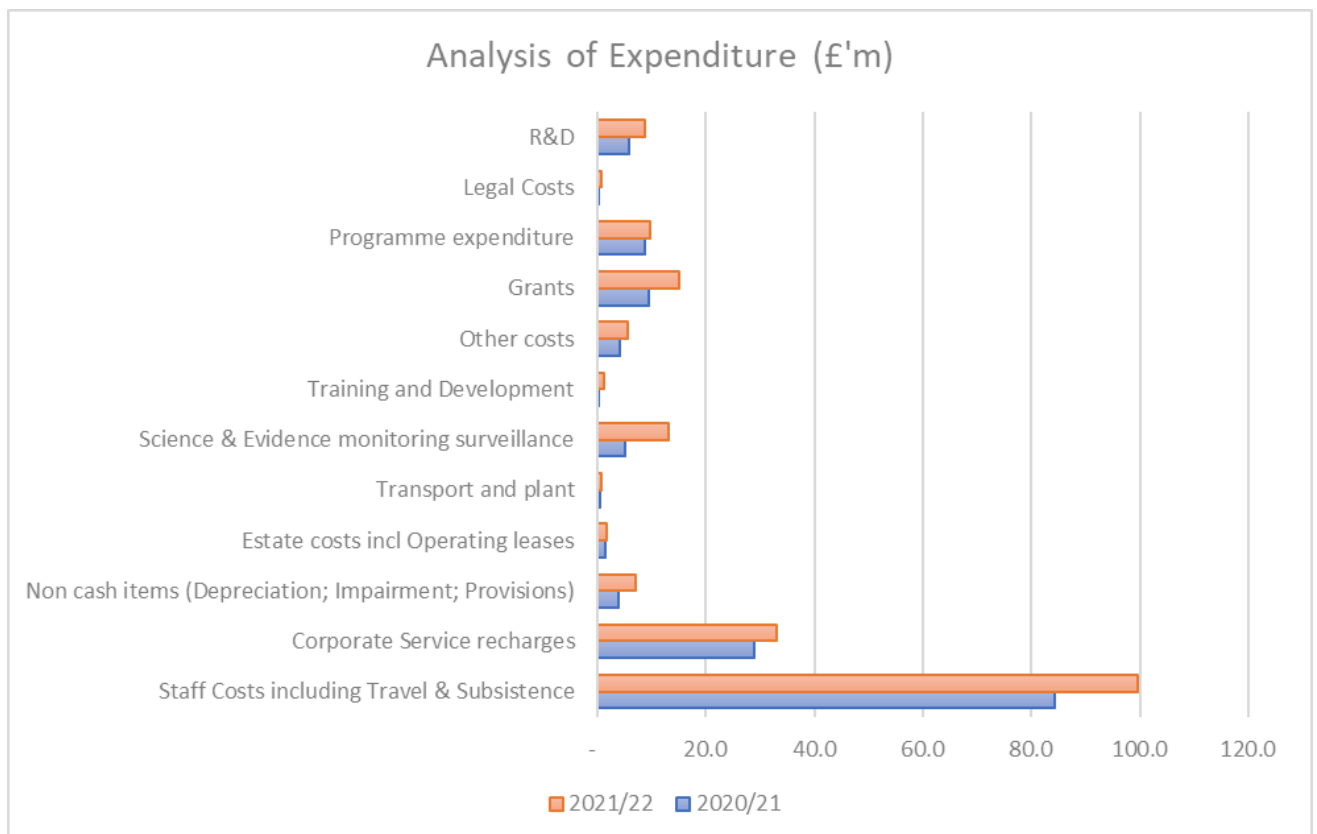
- invested in our Area Teams to work in partnership with local responsible authorities to enable green recovery. This includes building back greener through terrestrial and marine sustainable development – creating nature-rich, accessible, and characterful places to live and work
- started to strengthen our investment in protected sites to deliver better outcomes. We have made changes and improvements working closely with landowners and managers to do this.
- invested in technologies such as Earth Observation, environmental DNA techniques, field-based science, and data science techniques in order to find better ways of collecting and using data.

Analysis of Natural England’s expenditure shows the largest area is on our people, followed by the Corporate Service recharges which cover the professional support we receive on Finance, Commercial, Digital Data and Technology Services, Property, Communications and Human Resources. Please see note 1.23 to the financial statements for further details on these recharges.

In accordance with HM Treasury’s Financial Reporting Manual (FReM), the GiA is recognised in the General Fund.

Figure 1 below shows where we spent our money in 2021/22 compared to 2020/21.

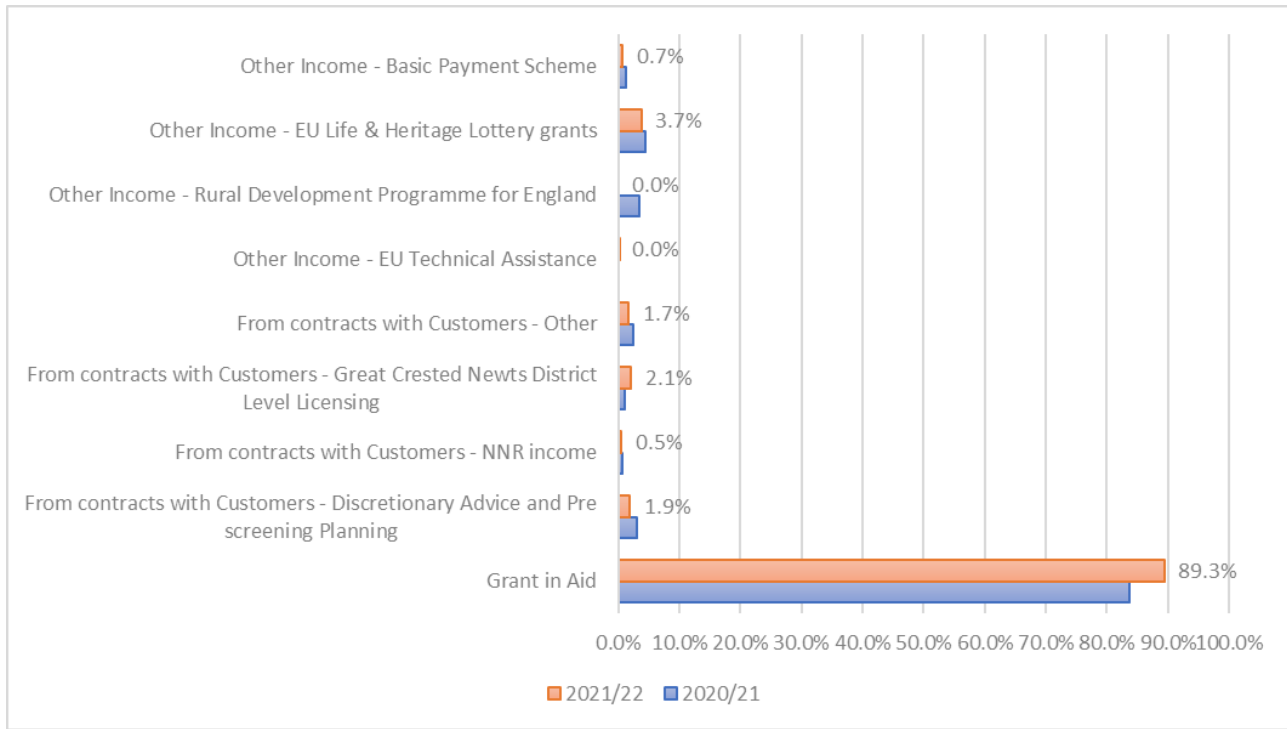
Figure 1: Expenditure Analysis



(ii) Income received

As explained above, Natural England is predominantly funded by Grant in aid (89.3% which goes directly to the SoCNE), but also receives funding from a variety of other sources as set out below in Figure 2. As a proportion of our budget, income made up 10.7% (2020/21 16.3%).

Figure 2: Analysis of 2021/22 revenue income sources compared to 2020/21



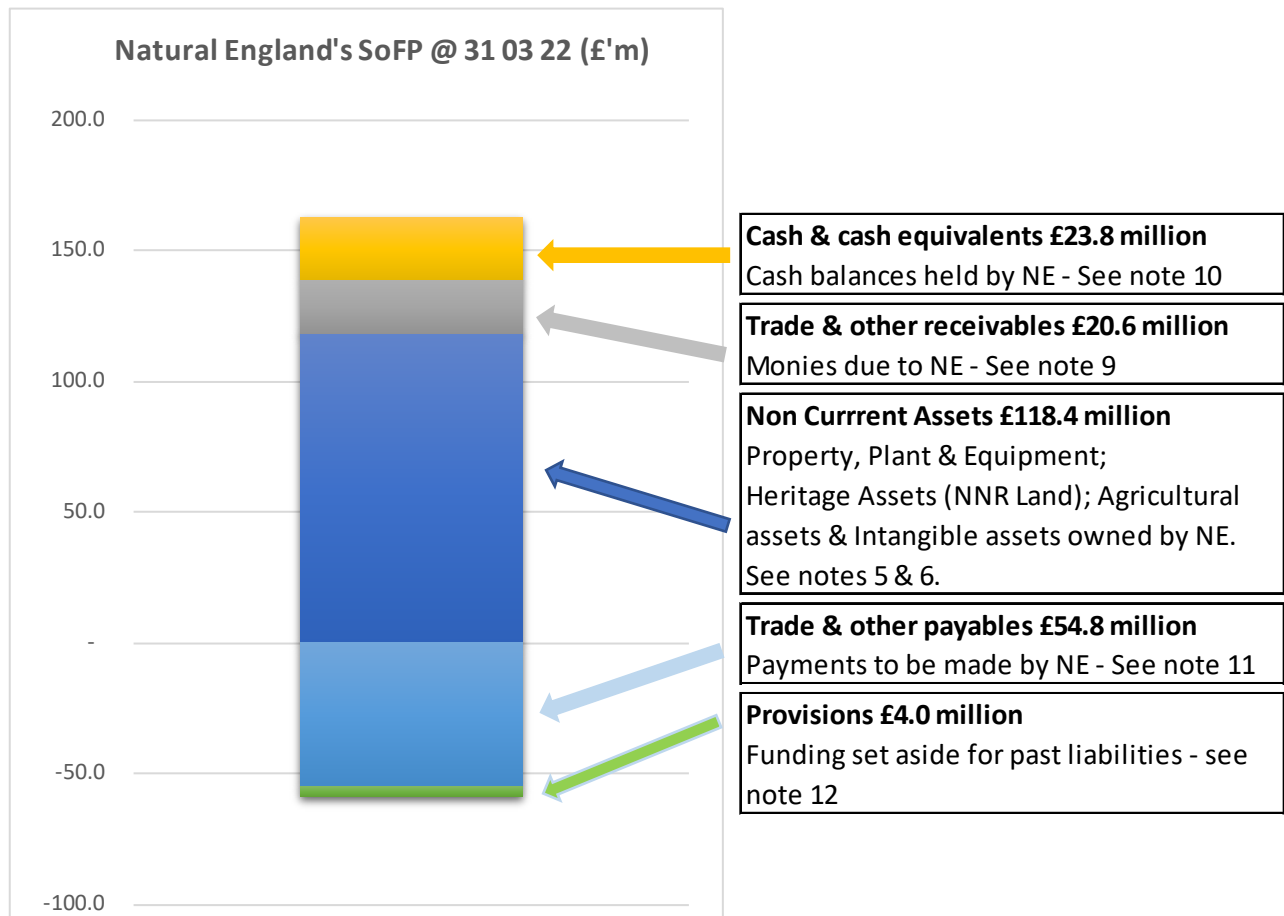
Both EU Life and Heritage Lottery Grants are received for delivering specific environmental projects. The funding for these can vary year on year depending on the current grant agreements in place with the funding bodies.

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

We are aiming to grow and increasingly secure new revenue streams to support the natural environment. In 2021/22 we saw increased funding from joint working with other government departments to fund across government commitments. We worked with the then Ministry for Housing, Communities and Local Government to introduce District Level Licencing for great crested newts. This scheme covers most of England and is delivered by a number of providers as well as Natural England. It uses developer contributions to deliver strategic habitat mitigation (pond creation) for great crested newts. The scheme provides a route for developers to discharge their obligations as a condition of wildlife licensing to create compensating habitat for development that impacts the habitat of great crested newts, a protected species. The scheme incorporates a payment to Natural England at a cost of £16K per unit, which equates to the cost to create or restore a compensation pond and its ongoing maintenance and monitoring in line with the 25-year habitat restoration plan. The certificate issued by Natural England then supports a developer's application to the planning authority to demonstrate their compliance with protected species' licensing requirements and that appropriate compensating habitat has been confirmed by Natural England. As the scheme is now bedding down, we are seeing increased demand and therefore payments coming through from developers.

Analysis of the Statement of Financial position (SoFP) (Balance sheet at 31 March 2022)

Figure 3 below shows diagrammatically Natural England's Statement of Financial Position



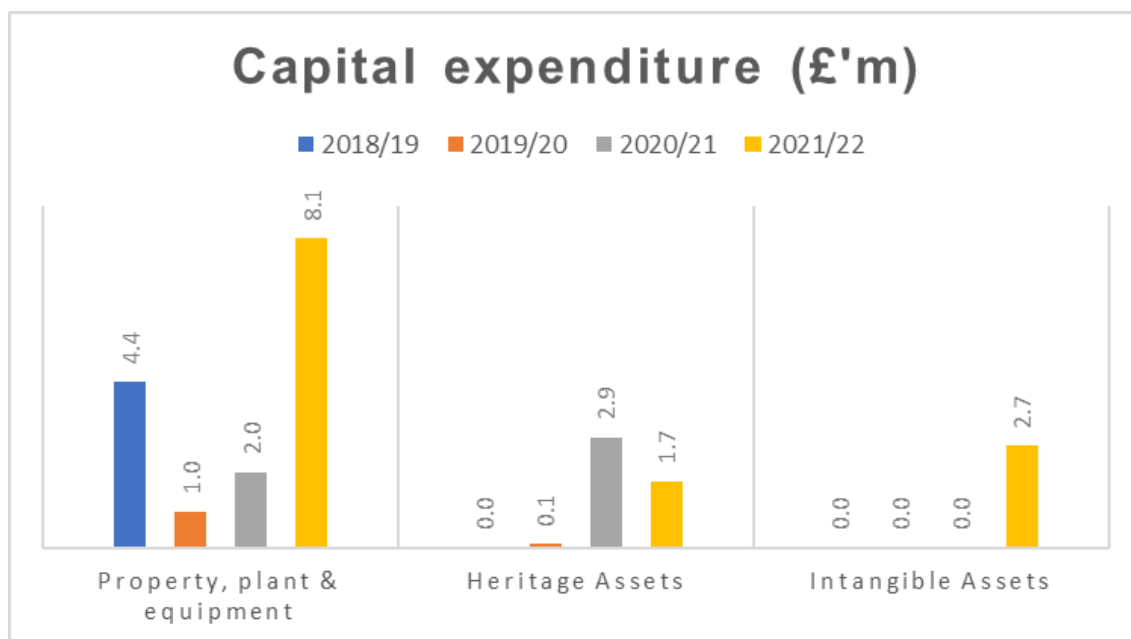
Capital Investment

As shown above the largest items on Natural England Statement of Financial Position are the non-current assets. In 2021/22 Natural England had capital funding approval of £33.6m. From this £8.5m was used to fund research and development activities and £2.9m was used to fund the launch of the peatland grant scheme paid to third parties, leaving £22.2m for capital investment within Natural England.

Actual capital investment over the year was £12.6m (2020/21 £4.9m). A net underspend of £9.6m occurred due to two complicated land purchases involving multiple third parties slipping from their planned completion date at the end of March 2022 into quarter one of 2022/23.

The main areas of capital investment within Natural England are identified in Figure 4 below, with 2018/19, 2019/20 and 2020/21 details shown for comparative purposes. As can be seen from this Capital investment has increased dramatically (c 157%) over the last year. This trajectory is planned to continue into 2022/23 and in light of this and lessons learnt from 2021/22, Natural England has reviewed its capital governance procedures to ensure we are in the best position possible to achieve full outturn on our capital budget in 2022/23.

Figure 4: Capital Investment



In June 2019 Natural England undertook a significant investment review of its NNR estate. The result of this was the establishment of a ten-year investment programme and this supported capital investment bids for the NNR estate to HM Treasury for both Spending Review 19 (SR 19) and Spending Review 21 (SR 21). The investments include;

- Major builds and work-base improvements
- Public safety works (ash die back)
- Site access upgrades
- Site condition works
- Staff Health and wellbeing
- Land Purchases

Of the £12.6m capital investment in 2021/22;

Property, plant, and equipment (£8.1m) included;

- £3.3m on new vehicles, plant, and machinery for NNR staff replacing part of the current older fleet vehicles and tractors, trailers and other machinery used in the everyday running of the NNRs. This includes three new 4-wheeled drive off-road electric vehicles for use on NNRs.
- £2.6m was new land purchases at Saltfleetby NNR Lincolnshire and Barrington Hill NNR Somerset.
- £2.2m investment in new buildings or renovation of existing buildings and work bases including Penrose Veor Farm, Cornwall, Hatfield Moor, Yorkshire and Woodwalton Fen, Cambridgeshire.

Heritage Assets (£1.7m);

The significant areas of investment in 2021/22 were the purchase of land at Lindisfarne NNR Northumberland and Kings Sedgemoor NNR Somerset.

Intangible Assets (£2.7m);

We have invested in digitising several key areas of work and moving to cloud-based platforms including systems supporting Net Gain, enabling a more efficient and better customer service.

Funding for the next three years has been secured through SR21 and Natural England capital investment for 2022/23 is planned to be over double that of 2021/22.

Future Plans following the 2021 Spending Review (SR 21)

A full three-year spending review was undertaken in Autumn 2021 (SR21) by HM Treasury for capital and resource budgets for the period 2022/23 to 2024/25. Natural England worked very closely with Defra on spending plans and priorities for this review and were successful in achieving even further funding for Natural England. This funding will support the Government's environmental priorities (including those laid out in the new Environment Act) and address some known pressures in our statutory work functions. Importantly the funding will be used in a very targeted way with a strong emphasis on reform, alongside some increases in skills and capacity to delivery statutory work.

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 2021/22. Natural England is also a signatory to the Defra Group Modern Slavery [Statement](#).

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.

Going concern

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


The statement of financial position at 31 March 2022 shows taxpayer's equity of £104.0m (at 31 March 2021 £80.0m). In common with other government non-departmental public bodies, the future funding for our liabilities will be grant-in-aid (GiA) from Defra and other income. Parliament approves this funding annually.

Natural England's GiA for 2022/23 is included within the Defra estimates which have already been approved by Parliament. A multi-year government spending review has taken place during 2021

(SR 21) to determine future funding for government departments including Defra for 2022/23 through to 2024/25. Continued support of Natural England from 2023/24 onwards has been considered and reviewed as part of this Spending Review and as a result Natural England has been issued indicative allocations for both 2023/24 and 2024/25.

GiA formed 89.3% of our 2021/22 funding (see page 32). Of the remaining 10.7% (£17.8m), £10.4m was income from customers (see page 96). Some of this is supported by multi-year contracts so we expect income from this source to continue going forward. In 2022/23 budgeted income from Customers is £15.3m the increase is largely linked to increased funding from Developers for District Level Licensing for Newts. Other operating income (Heritage Lottery and EU Funding) is estimated at £10.5m.

Based on the above information it has been assessed that Natural England has sufficient resources to cover expected expenditure for a period of at least 12 months from the approval of the 2021/22 Annual Report and Accounts. It has therefore been considered appropriate to adopt a going concern basis for the preparation of these financial statements as at the date they are signed.



Marian Spain
Chief Executive,
Natural England

12 December 2022

Accountability Report

This section provides the key accountability requirements to Parliament

Corporate Governance Report

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

Director's Report

Chief Executive and Chairman

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

Tony Juniper was appointed as Chairman on 23 April 2019.

Board Members

At the 31 March 2022, the Board was made up of eleven 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 18 to the accounts.

Payment of trade and other payables

Government has committed to a target of paying all suppliers to the public sector within 10 days from receiving the invoice. Between April 2021 and March 2022, 97% (2020/21, 95%) 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 2021/22.

Personal Data Related Incidents

Government should provide particular protection for personal data, the release or loss of which could harm or cause distress to individuals. Natural England has established governance structures to ensure that information assets are handled appropriately. These include identifying risk owners, undertaking annual risk assessments, and providing training to key staff. Information data handling courses are embedded into induction processes and the staff development framework. All staff are required annually to attend a training course providing information on how to handle data appropriately. For further information please see the Governance Statement (page 40).

Statement of Accounting Officer's responsibilities

Under Schedule 1, Section 24(2) of the Natural Environment and Rural Communities Act 2006, Natural England is required to prepare for each financial year a Statement of Accounts in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Natural England and of its net expenditure, financial position, changes in taxpayers' equity and cash flows for the financial year.

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

- Observe the Accounts Direction issued by the Secretary of State for Defra, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- Make judgments and estimates on a reasonable basis.
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the financial statements.
- Prepare the financial statements on a going concern basis.
- Confirm that the Annual Report and Accounts as a whole is fair, balanced, and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced, and understandable.

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

Disclosure of audit information to auditors

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

Governance Statement 2021/22

Introduction

This Statement evaluates the effectiveness of Natural England's governance arrangements, risk management and the system of internal control and stewardship of resources for the financial year 2021/22.

It will report on any specific control issues identified in 2021/22 and on the overall assurance work carried out in the year including the overall opinion from our Head of Internal Audit.

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

Overall governance arrangements

The requirements for Natural England's governance arrangements are set out in the [Natural England Framework Document](#). The Chair and Board are charged with a number of duties, including to:

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

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

- **The Audit Risk and Assurance Committee (ARAC):** To review the completeness and reliability of assurances in governance, risk management and internal controls and the integrity of financial statements.
- **The Remuneration Committee (RemCom):** To oversee decision-making on staff remuneration
- **The Natural England Science Advisory Committee (NESAC):** To provide specialist advice (including from external experts) and to challenge and review Natural England's science and evidence.
- **The Natural England Landscape Advisory Panel (NELAP):** To support the organisation's ambition and innovation in delivering the range of landscape powers and duties across designated and non-designated landscapes. The first meeting of NELAP took place in March 2022.

Delivery and Assurances

Over 2021/22, the Natural England Board held seven formal meetings. Board Member attendance of these meetings and of sub-committees is shown in the following table. Note that some members were only in position for a portion of the year.

Table 1

Member	Board attendance (7 meetings)	ARAC attendance	RemCom attendance	NESAC attendance	NELAP attendance
<i>Tony Juniper (Chair)</i>	7/7				
<i>Marian Spain</i>	7/7	4/4	4/4		
<i>Lord Blencathra</i>	7/7	3/4	4/4		
<i>Sue Hartley (to 11 Sept 21)</i>	3/3			4/4	
<i>Henry Robinson</i>	6/7		4/4		
<i>Catherine Dugmore</i>	7/7	4/4			
<i>Andy Clements</i>	7/7			4/4	
<i>Michael Winter</i>	6/7			4/4	1/1
<i>Kim Shillinglaw</i>	7/7		4/4		
<i>Kerry ten Kate</i>	7/7			3/4	
<i>Rosamund Blomfield-Smith</i>	7/7	4/4			1/1
<i>Peter Unwin</i>	7/7	3/4	4/4		
<i>Clare Fitzsimmons (from 12 Sept 21)</i>	4/4				

In 2021/22, the Board (directly and with the support of its sub-committees):

- Oversaw the development and endorsement of the 2020/21 Annual Report and Accounts
- Steered the Executive in finalising the 2021/22 Action Plan and maintained a quarterly overview of organisational performance, supporting the Executive in refining the suite of performance indicators and in the continued development of the internal processes for strengthening delivery
- Challenged the Executive on the in-year management of risk, with a focus on both corporate / longer term and operational risks
- Supported and challenged the Executive to ensure that Natural England provided an ambitious and constructive suite of proposals for nature recovery to inform government decision within the 2021 Spending Review
- Enhanced the rhythm of Board-level scrutiny of the organisation's performance regarding health and safety
- Enhanced the assurance support provided by Board and by the Audit Risk and Assurance Committee, with a particular focus on providing assurance on the new programmes of work being implemented within Natural England through the year
- Provided continued support and challenge to the work being delivered within natural England to support Defra in the implementation of Biodiversity Net Gain, focusing on securing the right clarity of Natural England's role and accountabilities in this work
- Approved a revised Landscape Designations Programme which encompassed some new designation proposals, and which evolved a refreshed, more collaborative approach to the future designations process. Building on that platform the Board then agreed the establishment of a new Natural England Landscape Advisory Panel (NELAP) that will support the organisation's ambition and innovation in delivering the range of landscape powers and duties across designated and non-designated landscapes. The first meeting of NELAP took place in March 2022.

- Agreed the desired role for Natural England in the expected implementation of Conservation Covenants as implemented by the Environment Act
- Endorsed a refresh of Natural England's National Nature Reserve (NNR) Strategy and confirmed a new NNR in the Somerset Wetlands
- Confirmed the designation of three Sites of Special Scientific Interest and commissioned and endorsed a wider review of the future approach to the use of this power
- Led the work of the organisation in reviewing the approach taken to diversity and inclusion; both inside Natural England and in terms of the wider environmental sector.

As is now normal practice, the Board completed its annual performance review and agreed a range of recommendations for future improvement, including further work with the Executive on the system of risk management. The Board also agreed further 2022/23 investment in Board level professional development.

In terms of the modes of working, the Board continued to adopt and evolve hybrid working, building towards a pattern where most meetings returned to a core face to face format, in particular for public meetings but allowing hybrid access where that met partner needs.

As had been established in 2020/21, the Board continued with the programme of Board Briefing Sessions by video conference. Over 2021/22, the topics covered included

- Regular Environmental Land Management Scheme updates
- Planning Reform
- Natural Beauty & Cultural Heritage
- Landscape Designations
- Climate Change (COP26)
- Marine Offshore Wind
- Water Strategy
- Equality, Diversity, and Inclusion
- Nature Recovery Green Paper
- Protected Landscapes Report

Risk Management

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

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

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

In 2019/20, a full review of Natural England's risk management processes was undertaken. This resulted in an updated Risk Strategy that sets out Natural England's approach to managing risk, along with the development of a new risk reporting platform which serves as a 'one-stop-shop' for risk management. The platform allows everyone throughout Natural England to record, manage,

and escalate risks as required, and enables robust risk reporting for various Natural England Committees and its Board.

Since the risk reporting platform was established we have provided training so staff can easily engage with the platform and are aware of their responsibilities when raising risks and issues in the organisation. We have seen more active risk management from staff which has greatly aided our organisational resilience. To drive additional improvements, we have reviewed our risk reporting platform and listened to staff feedback so we can further enhance our organisational approach to risk management. This work will be delivered throughout 2022/23.

We continue to review the evolving risk position and the impacts of wider global events. To date we have not raised a risk relating to the Ukraine crisis that is specific to Natural England, but we recognise that it does impact on specific current risks notably that relating to cyber-security.

Financial Management (including Counter Fraud activity)

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

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

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

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

There were no significant cases of fraud or irregularity identified within the organisation in 2021/22.

In order to assess our performance in this area, Natural England engages in benchmarking both against other bodies in Defra group and against the Cabinet Office Counter Fraud Functional Standard (GovS 013). The 2020/21 internal audit programme included a review to establish to what extent Natural England's risks relating to fraud are managed in accordance with the Standard. This includes ensuring that key areas of risk are properly identified, assessed, and mitigated and that appropriate mechanisms are in place to provide assurance of this. The review highlighted Natural England's good performance in this area, with relatively few actions required to achieve full compliance. A follow up review is planned for 2022/23.

Security and Information Management

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

In the management of information security and wider good data management Natural England continues to drive Security and Information behaviours through the Security and Information

Steering Group (SISG), the development of the Information Commissioners Accountability Framework and a continued focus on the delivery of Security and Information Training.

In 2021/22 the following incidents referred to the Natural England Security Team:

• Leaks	0
• Losses	9
• Complaints	1
• Personal Data	22
• Unauthorised disclosure	31
• Physical Security	16

All reported incidents are followed up to ensure that steps have been taken to address the issue and advice is provided to affected parties regarding any recommended remedial actions. Whilst none of the incidents recorded met the threshold for reporting to the ICO, we have had to refer some matters to them for clarification; particularly the complaint, which refers to a leak first reported in 2020 and at this point remains unresolved.

Natural England has completed a cross-group survey of staff awareness and behaviours with regard to security (both physical and information). This will assist in informing our programme of Assurance work in 2022/23 and further developing our security and improvement plans for next three years.

Corporate Services Assurance

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

Corporate Services are delivered in line with the commitments in the agreed Corporate Service Function Offers. In September 2021 Natural England signed off revised principles and the Service Offers for the group-wide model. Issues are escalated to Group Corporate Service Board and assurance on the quality and quantity of service received, including any Accounting Officer or Board level risk, is provided to ARAC.

These Service offers and principles implement the outstanding actions of the major Defra lead internal audit on Corporate Services Transformation which concluded in early 2020/21.

Specific Control Issues and Whistleblowing

Throughout 2021/22, our controls and broader business continuity arrangements were tested as the organisation followed wider public and public sector guidance in our continuing response to the Covid-19 crisis.

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

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

and professionally. The policy is accessible to all staff on the organisation's Intranet and is publicised in year.

In 2021/22, no new issues were raised via the main whistleblowing channel.

Overall Assurance

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

Our internal assurance work combines:

- A focused suite of controls and cross-checks
- An end of year review exercise with all the major teams in Natural England where we review and gather further evidence on how teams are performing in delivering the various organizational requirements to keep people, money, and data in Natural England safe and to ensure the overall safety of our governance.

Our 2021/22 programme of work from Government Internal Audit was developed by Natural England's independent Head of Internal Audit through working with the Chief Executive, NExCo (the Natural England Executive Committee) and with Directors/Area Managers, and then with ARAC. This programme was informed by a review of key risks from our main risk registers, Defra group risks and from an analysis of key business areas and core processes. In 2021/22, Internal Audit completed 14 assurance reports and a follow up report on the 2020/21 audit on Casework Guidance. Remedial actions were agreed and progress against the recommendations has been good.

The 2021/22 internal audit programme included four limited opinion audits, relating to IT planning/delivery, Programme and Project Management (PPM) standards/assurance, the Biodiversity Net Gain programme and security/information. Remedial actions include the refresh of governance groups, the use of risk to drive improvements and the development of specific improvement plans. The timely completion of each action will be monitored by senior management and ARAC.

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

In 2020/21 we launched Natural England's Assurance Plan, bringing together the assurance gathering actions in place to supplement the internal audit programme, as a means of assessing adherence to our suite of governance arrangements. As part of an end of year assessment, we now ask all senior managers across the organisation to produce personal end of year statements, indicating their levels of confidence. The statements for 2021/22 indicate that:

Keeping People Safe: There is a strong management focus on Health and Safety across most teams, with good support from national technical Health and Safety specialists who have helped to ensure that incident reporting is improved, and that relevant training has been kept current. At the start of the year, there was a strong organisational focus on wellbeing, due in part to the continued prevalence of home / lone working. As we have moved towards the fuller implementation of hybrid working (i.e., a mix of home/office/field locations) attention is refocused on core health and safety practices.

On 5 April 2022, a fatal incident occurred at a National Nature Reserve work base where a subcontractor, working under a Defra wide property maintenance contract, fell whilst undertaking

work on a roof. Natural England continues to work with Health and Safety Executive on the investigation. Full details and analysis of the incident will appear in the Natural England Annual Report and Accounts 2022/23 (01/04/22 to 31/03/23).

Keeping Money Safe: There is a good grasp of risk in this area but there are specific risks to manage, including ensuring that the financial rules impacting on different types of funding are all adhered to, and that people are skilled and supported in procurement, noting the recent increases in available budgets and the diversification of schemes and funding sources.

Keeping Data Safe: There are reduced levels of personal data being managed in the organisation but there are areas of work where personal and other data is highly sensitive. Our general assessment is that although this is an area where we have made improvements (for example in shifts towards the use of more secure IT platforms) we do need to do more; particularly in increasing confidence that managers and teams understand the data protection and storage requirements we place on staff and in providing the support, systems, and controls to ensure that requirements are met.

Safe Governance: We continue to maintain and update Natural England's decision-making framework (for example in the publicly available Schemes of Delegations) that guides our staff in determining how regulatory and business decisions are made. Our assessment is that the core frameworks are broadly understood and used but there remains more to do in terms of improving the visibility and the accessibility of the detailed guidance and in ensuring better consistency of delegated decisions (for example on different scales of financial expenditure).

Natural England secured significantly increased capital budget in 2021/22 and will again in 2022/23. As a consequence, the management of the capital programme has been identified as a potential area of increasing risk for Natural England. A new framework will be implemented in 2022/23 for the governance, management, and control of capital expenditure and this will be subject to internal audit review to assess the overall adequacy and effectiveness of this new framework going forward.

The external auditors have given a qualified opinion on the treatment of £5.4m of income for our District Level Licensing Great Crested Newts scheme. Whilst we are content with the accounting treatment applied, which is to defer the income within trade payables (note 11 page 106) on the Statement of Financial Position to fund future ongoing costs, the external auditors have concluded that the £5.4m should be recognised as revenue received in year. The scheme uses private sector developer funding to deliver strategic habitat creation over a 25-year period. We have instigated a review with a wide range of parties to resolve the accounting issue for future years, this review will conclude and make recommendations in readiness for the 2022/23 Annual Report and Accounts.

Concluding statements

From the Chair of ARAC

As Chair of the Audit Risk Assurance Committee, I am confident that in 2021/22 ARAC has had sufficient opportunity to review the comprehensiveness, reliability and integrity of assurances and has supported the Natural England Board in their responsibilities for risk management, control, and governance. In what has been an exceptional year due to Covid-19, ARAC has continued with business as usual and has received positive assurance from internal audit work on Natural England's governance arrangements, along with a fully completed internal audit programme.

From the Chief Executive

This Governance Statement covers the period of 2021/22 over which I was Chief Executive of Natural England. My review of assurances for this year has been informed by the work of the Natural England Audit Risk and Assurance Committee, the GIAA, assurances from senior managers with delegated responsibilities within the organisation, and the comments and recommendations made by the external auditors in various other reports. Overall, I am satisfied that Natural England has effective governance, risk management and internal controls in place.

Remuneration and staff report

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

Remuneration report for Natural England Non-Executive and Executive Team

Appointments

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

www.gov.uk/government/organisations/natural-england/about/our-governance

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

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

Salary

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

Performance related pay

Performance related pay is based on an individual's performance rating agreed with their line manager for the previous year (i.e., the performance payment made in 2021/22 relates to 2020/21 performance). The value of performance related pay received by the Chief Executive and Chief Officers is determined by the Chair (for the Chief Executive) and the Chief Executive (for Chief Officers) supported by Natural England Remuneration Committee.

The Leadership Group, which comprises the Chief Executive, Chief Officers and Directors are eligible for non-consolidated performance related payments from a fund of no more than 3.3% of their pay bill. The maximum individual in year award is £5,000. An individual can receive more than one award. Any proposed bonus of £17,500 and above requires Treasury approval.

There was no pay award in July 2021 due to a pay pause, however non-consolidated performance payments were able to be awarded to the highest performers. No Benefits in kind were paid in 2021/22.

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

Table 1: Natural England non-Executive Board Remuneration (audited information)

Board Members	2021/22	2020/21
	Remuneration	Remuneration
	£000	£000
Tony Juniper CBE (Chairman)	85-90	85-90
Andy Clements	10-15	10-15
Simon Lyster (Left 13/7/20) Note 1	-	0-5
Teresa Dent CBE (Left 13/7/20) Note 1	-	0-5
Prof Michael Winter OBE	10-15	10-15
Rt Hon Lord David Blencathra (Deputy Chairman)	25-30	25-30
Catherine Dugmore	10-15	10-15
Prof Sue Hartley OBE (Left 11/9/21) Note 1	5-10	10-15
Henry Robinson	10-15	10-15
Kim Shillinglaw (From 01/06/20) Note 1	10-15	5-10

Board Members	2021/22 Remuneration	2020/21 Remuneration
	£000	£000
Kerry ten Kate (From 01/06/20) Note 1	10-15	5-10
Rosamund Blomfield-Smith (From 01/06/20) Note 1	10-15	5-10
Peter Unwin CB (From 01/06/20) Note 1	10-15	5-10
Clare Fitzsimmons (From 12/9/21) Note 1	5-10	-

Notes:

- 1) Full Year equivalent £10-15k.

Table 2: Natural England Senior Leadership Team Remuneration (audited information)

The salaries reported are actual expenditure incurred in the year. Performance related pay paid relates to performance in the prior year. No Benefits in kind were paid in either 2020/21 or 2021/22. 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:

	2021/22				2020/21			
	Salary	Perf Related Pay	Pension Benefits	Total	Salary	Perf Related Pay	Pension Benefits	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Chief Executive:								
Marian Spain	130-135	0-5	50	180-185	130-135	-	51	180-185
Chief Officers:								
Alan Law (Strategy and Government Advice)	100-105	0-5	17	120-125	95-100	-	35	130-135
Tim Hill (Science and Evidence)	95-100	-	21	115-120	95-100	-	52	145-150
Navroza Ladha (Legal and Governance)	95-100	0-5	24	125-130	95-100	-	58	155-160
Richard Cornish (Chief Operating Officer) Left 18/4/21 Notes 1 & 3	0-5	-	2	5-10	95-100	5-10	41	145-150

	2021/22				2020/21			
	Salary	Perf Related Pay	Pension Benefits	Total	Salary	Perf Related Pay	Pension Benefits	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Gleny Lovell (Planning and Performance)	90-95	-	37	130-135	85-90	0-5	34	120-125
Oliver Harmar (Chief Operating Officer) From 13/9/2021 Note 2	50-55	-	20	110-115	-	-	-	-
Elizabeth Newton (From 19/4/21 to 12/9/21) Note 2	35-40	-	85	120-125	5-10	-	26	31-35

Notes:

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

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.

	2021/22	2020/21
Banded remuneration of the highest paid employee in Natural England	£130,000–135,000	£130,000–135,000
Percentage change from the previous financial year in respect of the highest paid director (new measure 2021/22)	-	
Median remuneration of the workforce (50 th percentile)	£32,438	£32,438
Ratio of remuneration of highest paid director to median remuneration of the workforce	4.1	4.1
25 th percentile remuneration of the workforce (new measure 2021/22)	£26,224	
Ratio of remuneration of highest paid director to 25 th percentile remuneration of the workforce (new measure 2021/22)	5.09	

	2021/22	2020/21
75 th percentile remuneration of the workforce (new measure 2021/22)	£34,452	
Ratio of remuneration of highest paid director to 75 th percentile remuneration of the workforce (new measure 2021/22)	3.88	
The range of banded remuneration for the workforce in Natural England	£10,000-£15,000 to £130,000-£135,000	£10,000-£15,000 to £130,000-£135,000
The average percentage change from the previous financial year in respect of the workforce of the entity taken as a whole (new measure 2021/22)	-0.52%	

There are no non-salary components in the total pay and benefits figures disclosed in the table above for the median, 25th percentile and 75th percentile.

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

Board Members are not entitled to join the Principal Civil Service Pension Scheme (PCSPS) or alpha pension schemes.

Table 3: Natural England Senior Leadership Team Pension benefits

Pension Benefits - Chief Executive & Chief Officers	Total accrued pension at age 60 and related lump sum (LS) at 31 March 2022 £000	Real increase in pension and related lump sum (LS) at age 60 £000	CETV at 31 March 2022 £000	CETV at 1 April 2021 £000	Real increase in CETV £000
Chief Executive:					
Marian Spain	5-10	2.5-5	142	97	33
Chief Officers:					
Tim Hill	45 - 50 plus a lump sum of 90 - 95	0 - 2.5 plus a lump sum of 0	873	815	7
Alan Law	45 - 50 plus a lump sum of 95 - 100	0-2.5 plus a lump sum of 0	941	885	3
Navroza Ladha	40-45	0-2.5	631	587	8
Richard Cornish (Left 18/4/21)	25 - 30 plus a lump sum of 45 - 50	0 - 2.5 plus a lump sum of 0	366	366	1
Gleny Lovell	0-5	0-2.5	88	50	29
Oliver Harmor (From 13/9/2021)	0-5	0-2.5	11	0	8
Elizabeth Newton (From 19/4/21 to 12/9/21)	35 - 40 plus a lump sum of 115 - 120	2.5 - 5 plus a lump sum of 10 - 12.5	888	810	84

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants

participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (Classic, Premium or Classic Plus) with a normal pension age of 60; and one providing benefits on a whole career basis (Nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 switched into alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). All members who switch to alpha have their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member’s earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer’s basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

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

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Cash Equivalent Transfer Values

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

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

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It excludes increases 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 may be occasions when external or internal changes have an impact on our staffing requirements. In these situations, we will use a Voluntary Early Release Scheme to avoid compulsory redundancies wherever possible. Any such scheme would support business needs and fit in with our overall human resources strategy.

Any redundancy and other departure costs are paid in accordance with compulsory redundancy and voluntary early release schemes. Both schemes are based on the statutory redundancy scheme and take account of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006. Any exit costs would be accounted for in full when official notice had been served.

There were no Redundancy or other departure costs paid in 2021/22 in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972.

Staff Report

Staff Costs comprise (audited information)

	31 March 2022	31 March 2021
	£000	£000
Permanent & Fixed Term Appointments salaries and allowances	67,787	62,339
Employer Superannuation Payment	17,887	16,175
Partnership Pension Contributions	138	145
Permanent & Fixed Term Appointments social security costs	6,650	5,898
Apprenticeship Levy	Note a	297
Agency and temporary staff	Note b	1,942
Inward secondees	299	242
Temporary staff social security	184	104
Temporary staff superannuation	587	339
Other staff costs	61	63
Less recoveries in respect of outward secondments	Note c	(3,530)
Total	97,540	84,014

Notes:

- a) The Apprenticeship Levy introduced in April 2017 requires employers with an annual pay bill in excess of £3m to pay an annual levy based on total percentage of total payroll costs. The levy is collected through the PAYE system by HMRC and is then available through a Digital Apprentice Service for a two-year period to fund approved training for Apprentices. Income received through Natural England's Digital Apprentice Service for training is recognized as grant income in line with associated expenditure (see note 4.2).
- b) The significant increase in Agency and Temporary staff in 2021/22 is the result of a large recruitment drive resulting from an increased demand for more relevantly skilled and experienced staff, to match increased planned activities and departmental budgets for 2021/22 compared to previous financial periods. There was a need to increase temporary resource in order to fill roles quickly in some areas pending permanent recruitment.
- c) Income for secondees in the main represents Natural England staff members seconded to Defra. These secondments are largely up to a maximum two-year period.

Average Number of Persons Employed (audited information)

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

	2021/22	2020/21
	Number	Number
Permanent staff & Fixed Term Appointments		
Executive/Director	20	18
Manager/Principal Specialist/Adviser	218	209
Team Leader/Senior Specialist/Adviser	674	562
Group Coordinator/Lead Adviser/Specialist	835	715
Adviser/Support Adviser	396	361
	2,143	1,865
Temporary and contract staff		
Executive/Director	-	1
Manager/Principal Specialist/Adviser	5	1
Team Leader/Senior Specialist/Adviser	13	4
Group Coordinator/Lead Adviser/Specialist	25	17
Adviser/Support Adviser	83	51
	126	74
Total	2,269	1,939

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

	31 March 2022	31 March 2021
	Headcount	Headcount
Chief Executive (SCS 3 equivalent)	1	1
Chief Officers (SCS 2 equivalent)	5	5
Directors (SCS 1 equivalent)	15	13
Total	21	19

Workforce and Diversity profile

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

The following tables summarise Natural England's workforce and diversity profiles as of 31 March 2022 extracted from the corporate human resources management system:

Gender Split (by headcount)

Gender Split	Male		Female	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
Non-Executive Directors	6	6	5	5
Management Staff (SCS grade or equivalent)	10	11	11	8
All other employees for the Defra group	1119	968	1,570	1,265
Total	1,135	985	1,586	1,278

Natural England published its 2021 Gender Pay gap report on 27th January 2022. Both the mean (5%) and median (1%) gender pay gaps have reduced this year (reduction of 2% mean, 1.7% median), maintaining a continuous downward trend over the last four years.

Natural England – publication data	%			
	2019	2020	2021	+/- from 2020
Mean Gender Pay Gap - Ordinary Pay	8.4	7.0	5.0	-2.0
Median Gender Pay Gap - Ordinary pay	6.1	2.7	1.0	-1.7

Natural England – publication data	%				
	2019	2020	2021	+/- from 2020	
Mean Gender Pay Gap - Bonus pay in 12 months ending 31 March	0.5	0.9	0.6	-0.3%	
Median Gender Pay Gap - Bonus pay in 12 months ending 31 March	0	-160	0	+160	
Proportion of male and female employees paid a bonus in 12 months ending 31 March	Male	40	91	41	-50
	Female	44	92	44	-48

In the report Natural England has set out its on-going actions to reduce the pay gap by delivering several initiatives through the Defra group Equality, Diversity, and Inclusion Strategy, and through the now established cross Defra Group Gender Board. The Gender Board feeds into the Inclusion Leadership Group which has oversight of ongoing work to improve equality, promote collaborative working and remove barriers to progress. The Gender Board includes a specific working group focused on developing effective actions to close the gender pay gap.

Natural England has created an increased focus on implementing, monitoring, and measuring progress against actions that help to close the pay gap. We work in collaboration with our employee diversity networks, our Pay, Reward and Equality, Diversity, and Inclusion teams to ensure we have the right focus on this work. We continue with programmes and initiatives that are already making a difference:

- Active support for women returning to work following maternity or adoption leave.
- Offering shared parental leave, job share, part-time working opportunities and flexible working for all our employees.
- In addition to Natural England’s Gender Equality Network and Pregnancy and Parenting network we also have cross Defra Group Job Share, Solo Parents, and a Work Life Balance Network. Our Networks aim to raise awareness, provide constructive challenge to the organisation, and contribute to policy development.
- Key issues are escalated through the Natural England People Committee or the Defra Group gender board.
- Help women to progress their careers through schemes such as the Positive Action Pathway (a talent programme for under-represented groups) and Crossing Thresholds (a year-long career development programme for Women in the Civil Service, both of these are open to Non-Department Public Bodies).
- Support a range of employee led networks supported and championed by Natural England senior management and EDI teams. The Natural England Gender Champion aims to support women to reach their full potential.
- Monitor pay to identify any pay differences and take targeted action to ensure all processes are fair and transparent. An analysis of the bonus gap with a focus on an hourly gap, which considers pro-rata employees will give a different perspective on the bonus gender gap.

We continue to anonymise the application process, ensuring all interviewers complete unconscious bias training and use diverse panels. We monitor recruitment data throughout the attraction, recruitment, and selection processes to identify areas for further improvement in achieving greater diversity in our workforce.

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

16-19	20-29	30-39	40-49	50-59	60+	Total
4	477	571	713	727	223	2,715

Diversity and Inclusion

Indicator	2021/22	2020/21	Trends	Commentary
Gender balance within the Senior Civil Service (SCS)	52.38% female	42.11% female		This has increased in recent years, now closer to the average for NE as a whole
BAME Staff	2.58%	2.44%		There has been a small increase since 2021. NE has signed up to the new Defra Group Equality Diversity and Inclusion (EDI) strategy 2020-2024.
Disability	12.52%	10.52%		Rates have consistently increased over the past 5 years. Disability is a priority area, with mandatory training for all people managers on disability and the Equality Act being designed and rolled out across the organisation over the next year.
Sexual Orientation	5.12%	4.09%		The Natural England LGBT+ Network provides support to LGBT+ members of staff. We improved our LGBT+ Stonewall Equality Index 2019 score of 12 out of 154 points to 45.5 points in 2020 and ranking from 420 to 351 out of 500 organisations.

Natural England information as of March 2022 shows 12.52 percent of the overall workforce is made up of employees who identify themselves as disabled, 2.58 percent who identify themselves as from an ethnic minority and 5.12% who identify their sexual orientation as lesbian, gay, bisexual, or 'other' (LGBO). These are shown by grade below:

Pay band	Disabled	Ethnic minority	LGBO
Support Adviser	12.98%	1.53%	4.58 %
Adviser	13.69%	3.07%	5.31%
Lead Adviser/Group Coordinator/ Specialist	12.91%	2.48%	6.40%
Team Leader / Senior Adviser / Senior Specialist	13.23%	2.65%	4.23%
Manager / Principal Adviser / Principal Specialist	8.04%	1.75%	4.20%
SCS	3.70%	11.11%	0.00%
Organisational Average	12.52%	2.58%	5.12%

EDI is a central priority within Natural England, as it impacts on everything we do as an organisation. We have a new EDI Action Plan for 2022-23 focusing on five key areas:

- Diversity and Inclusive Recruitment
- Line Manager training
- Listening Circles – understanding lived experience
- Data to allow confident and robust benchmarking
- Growing and sustaining our staff networks

To date the internal inclusion work has been delivered through the EDI programme and Natural England's external facing inclusion work through the Connecting People With Nature programme. There has however been some overlap between the two and a need for stronger synergy between the two programmes. A new Inclusion strategy for Natural England is planned for 2022 to link these two programmes of work more closely together, ensuring efficiency and cohesive delivery.

Recruitment Practice

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

We are committed to being an equitable and diverse organisation with an inclusive culture and to supporting these outcomes within our recruitment. To help attract a more diverse workforce we have reviewed the wording in our role descriptions and additionally advertise on a wide range of platforms including those targeted at diverse communities, Indeed and Google Ads.

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

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

Staff Survey



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

Natural England undertook a Winter Staff Survey in February 2022. The survey incorporated many of the questions in the Civil Service People Survey, and focused on three main areas:

- Questions that enable us to monitor our Key Performance Indicators (KPIs)
- Questions to provide us with evidence to improve the line management function and inform the staff framework review
- A series of 'deep dives' into topics that were identified as issues in the analysis of the summer staff survey results, specifically relating to work-related stress and career progression

The response rate was 76% of our headcount (although only 62.5% completed the survey, which is slightly higher than our previous all staff survey (65% response rate in July 2021).

Notable headlines from the February 2022 Winter Survey are:

- **The Employee Engagement Index** dropped very slightly to 63.1% in this survey from 63.4% in the 2021 survey. However, this is still above our Performance Indicator target of 62% by 1.1%.
- **Wellbeing** – 76.4% of staff believe that Natural England cares about its wellbeing. This is a decrease of 1.6% since the 2019 survey and is 3.6% below our target of 80%. This drop is a reversal from the last survey, which had shown a 5% increase from the 2019 results.
- **Stress in the workplace** - Over half of staff (51.8%) felt unwell due to work-related stress in the past 12 months, up 4.8% from 47% in the summer 2021 survey. The main cause of work-related stress was demands placed on me at work (31.7%).
- **Bullying and harassment in the workplace** - 10.3% of staff stated that they had been bullied or harassed at work in the past 12 months (164 staff), over double since the summer 2021 survey (5%). However, the proportion of staff that say the culture where they work allows this kind of behaviour to continue dropped from 58% in the summer survey to 55.0% in the winter survey.
- **Equality, Diversity, and Inclusion** - 84.2% agreed that Natural England is committed to creating a diverse and inclusive workplace, which is 12.2% higher than our 2021 survey, and 4.2% above target (80%)
- **Future Ways of Working / Covid-19** - Only 3.0% of staff would like to work in an office every day in the future. The four most common preferences were to work from any office one day a week (18.7%), two days a week (20.1%), at least once a month (16.6%) and less often/never (20.1%). The 3 questions around working together, line manager support and overall Natural England support during the pandemic scored extremely high (all exceeding 90%).

Natural England People Strategy

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

The strategy was based around six themes;

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

6. employee offer

Progress on these elements in 2021/22 are as follows:

Theme	Progress
Strategic Resource and Workforce Planning	<p>In October 2021, we launched a refreshed workforce strategy, aligning with our new organisational vision, mission and 5-year priorities. We developed it through staff workshops and focus groups during 2020 and 2021 approved by the People Committee and NExCo. We will deliver the strategy through Natural England's Workforce Action Plan and People Committee will monitor this.</p> <p>Through our conversations and dialogue with the organisation the key priorities for our people are career development, diversity, developing new skills and flexibility.</p>
Wellbeing (including Equality, Diversity, Inclusion)	<p>A review of our work-related stress policies and processes has been undertaken, including a root cause analysis project and a deep dive in the Winter Survey which will provide systemic evidence to create comprehensive sustainable action plan.</p> <p>A refreshed EDI Action Plan was approved by NExCo in December, wider disability confident workshops and disability masterclasses for people leaders launched in January.</p>
Capability	<p>The learning & development budget increased by 77% this year and included a new learning model that creates bespoke development programmes based on our mission and values. It will also ensure we invest in our internal expertise, through better co-ordination and we now have over 90 people supporting learning across the organisation.</p> <p>Apprentices continue to go from strength to strength, with another 61 new places. This includes 12 new Rangers working on our NNRs.</p>
Leadership	<p>We have invested considerably in leadership and management development this year. From the Foundations to Management programme over 120 people attended Senior Leadership Programmes.</p> <p>We created a range of leadership programmes bespoke to NE and its mission. The <i>Collaborative Environmental Leadership</i> programmes helped over 300 new Senior Advisors develop the skills and confidence to deliver their new work areas and a further 2,500 hours of bite size training for the Advisor job family.</p>
Career Development	<p>With over 700 people joining the organisation this year, we have created a new induction model to ensure everyone gets a consistent experience. This includes monthly `welcome events` and place based overnight stays so people can meet and learn about how our agenda joins up in a place.</p> <p>We reviewed our leadership offers and invested in authentic, transformational, and collaborative leadership skills. For example, all Managers and Principal Advisors were offered leadership modules around emotional intelligence, leading dispersed teams and developing their own leadership style.</p>

Theme	Progress
Employee Offer	<p>As part of ongoing pay reform, NExCo commissioned a review of the Staff Framework to test whether the current arrangements in terms of job families and bands are fit for purpose and reflect organisational priorities and the great work that is done every day in Natural England.</p> <p>The Staff Framework review is intended to link with, and to inform, the ongoing work on a Natural England pay flex case.</p> <p>More broadly, we have continued to engage and partner with our Trade Unions through consultation and regular engagement forums to find ways to improve the overall employee offer. Through 2021/22 Natural England continued to support a range of forms of flexible / hybrid working for our staff – as we moved through the different phases of the Covid-19 pandemic.</p>

Health and Safety

The focus of health and safety in Natural England during the year has been to provide advice and guidance to enable staff to continue to deliver their work activities whilst keeping them safe during the pandemic. Offices and Nature Reserve sites were all subject to detailed assessment and measures put in place to reduce Covid-19 transmission. Managers across the organisation assessed health and safety risks for each case of outdoor working and approved procedures to ensure staff, volunteers and members of the public were all protected. Staff working from home were provided with equipment to ensure this was a safe environment with regular team check ins.

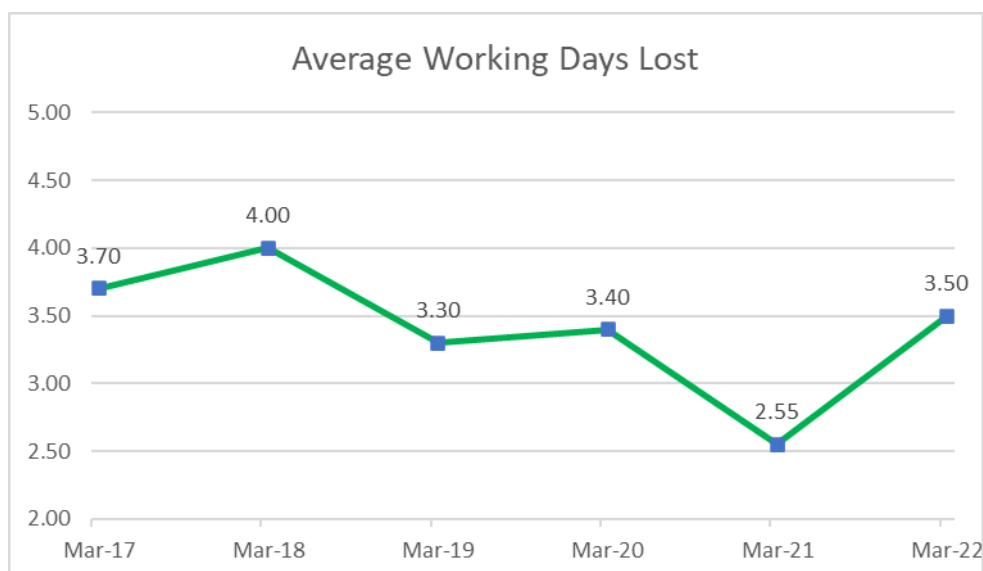
Across the organisation, wellbeing remains an issue identified as an organisational risk. Through the Wellbeing Strategy, a number of measures to address workplace wellbeing continue to be rolled out to support staff. Additional evidence gathering into the root causes of stress has been initiated and we expect to continue to provide impartial, long-term oversight of the impacts of these measures and other solutions to be developed, in response to the Covid-19 crisis.

Managing Attendance

For Natural England during 2021/22, an average of 3.50 working days per employee (2.55 days 2020/21) was lost to sickness absence. Absence due to ‘diseases of the respiratory system’ (30.6%, of which 54% were known to be Covid-19 related) is the main cause of absence and is higher than for 2020/21 (18.1%). The top 5 reasons for absence in 2021/22 were:

	Working days	Percentage
Diseases of the respiratory system	2,430	30.6%
Mental and behavioural disorders	2,005	25.3%
Diseases of the nervous system	856	10.8%
Diseases of the digestive system	696	8.8%
Diseases of the musculoskeletal system and connective tissue	598	7.5%

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



Trade Union Facility Time

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

Table 1 – Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full-time equivalent (fte)
76	1.62

Table 2 – Percentage of time spend on facility time

Percentage of time	Number of employees (Headcount)
0%	31
1%-50%	6
51%-99%	5
100%	34

Table 3 – Percentage of pay bill spent on facility time

Total cost of facility time £'000	58
The total pay bill £'m	97
The percentage of the total pay bill spent on facility time	0.06%

Table 4 – Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours.	2.30%
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Consultancy expenditure

Strict spending controls were introduced by Cabinet Office in 2010 including the use of consultants. In line with this, all spend on consultancy is formally approved. During the period from April 2021 to March 2022 there was £nil (£nil in 2020/21) of consultancy expenditure approved.

Off-payroll engagements

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

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

Table 1: For all off-payroll engagements as of 31 March 2022, for more than £245 per day:

	Number
No. of existing engagements as of 31 March 2022 of which:	
No. that have existed for less than one year at time of reporting	32
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 highly paid off-payroll workers engaged at any point between 1 April 2021 and 31 March 2022 for more than £245 per day:

	Number
No. of temporary off-payroll workers engaged during the year ended 31 March 2022 of which:	
No. that is not subject to off-payroll legislation	47
No. that is subject to off-payroll legislation and determined as in-scope of IR35	-
No. that is subject to off-payroll legislation and determined as out-of-scope of IR35	2

	Number
No. of engagements reassessed for compliance or assurance purposes during the year	-
- Of which: no of engagements that saw a change to IR35 status following review	-

Table 3: For any off-payroll engagements of board members and/or senior officials with significant financial responsibility between 1 April 2021 and 31 March 2022:

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

Cabinet office introduced strict spending controls in 2010 on various categories of spend including advertising; external recruitment; consultancy and IT Projects. Business justification and sign off from relevant approving Managers is required for these categories of Natural England spend to ensure these spending controls have been complied with.

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

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

Losses and Special payments (audited)

For 2021/22, we can report that there were no losses, special payments or gifts incurred which exceeded £300k.

Remote contingent liabilities (audited)

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

Public Sector Information Holders

Natural England is a Public Sector Information Holder and has complied with the cost allocation and charging requirements set out in the HM 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 2021/22 is £128k (2020/21: £118k). The audit fee was paid for by Defra and included within the notional recharges. There have been no payments made to auditors for non-audit related work.

Fees and Charges (Audited)

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

Fees and Charges income is derived from a combination of discretionary advice related to our planning, licensing and SSSI assent/consent work under our Discretionary Advice Service (DAS) and Pre-Submission Screening Service (PSS). It also includes administration fees for District Level Licensing and income from statutory wildlife licenses. 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>. Further details about paying for Wildlife Licences can be found on <https://www.gov.uk/guidance/wildlife-licences#when-you-might-need-to-pay>

In the period April 2021 to March 2022, we have generated £5.0m (2020/21 £4.3m) of income from commercial services including DAS, large scale contracts and chargeable wildlife licences, plus an additional £0.9m (2020/21 £0.8m) from our National Nature Reserve estate.

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

Natural England is keen to ensure that it can maintain and enhance its customer service and provide more effective delivery of its statutory roles through a package of reform measures which include the introduction of charges for certain areas of its statutory work. By doing so, Natural England aims to deliver exchequer savings and achieve better environmental outcomes by investing in its services to meet customer demand, offering a greater level of choice for customers whilst at the same time mitigating the impact of continuing pressures on Grant-in-Aid. Natural England has continued to work towards extending charging options to a number of work areas where we feel charging is appropriate. This involves addressing legal, financial and stakeholder considerations and securing the approvals of our Board, Defra and in some cases HM Treasury, where needed.

During 2021/22 Natural England began charging for more of its statutory wildlife licence types following an initial rollout of charges in 2019/20. In the period April 2021 to March 2022 this has generated £1.5m which is included in total income from commercial services of £5.0m.


Fees and Charges Income

	31 March 2022	31 March 2021
	£000	£000
Discretionary Advice, Catchment Sensitive Farming, HS2 and Wildlife Licensing	5,028	4,326
Income from National Nature Reserves (NNRs)	803	750
Other fees and charges	20	-
Total Income	5,851	5,076

Analysis of fees and charges

Discretionary Advice and Pre-Submission screening:	2021/22	2020/21	2019/20
	£000	£000	£000
Income	5,028	4,326	4,365
Expenditure	(5,027)	(4,375)	(4,543)
Surplus / (Deficit)	1	(49)	(178)

The above table shows that Natural England has over recovered costs by £1K in 2021/22. This over recovery will be carried forward to 2022/23 to ensure that fees and charges breakeven over a three-year rolling period.



Marian Spain
Chief Executive

12 December 2022

The Certificate 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 2022 under the Natural Environment and Rural Communities Act 2006.

The financial statements comprise Natural England's

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards.

In my opinion, except for the effect of the matter described in the basis for qualified opinion on the financial statements paragraph, the financial statements:

- give a true and fair view of the state of Natural England's affairs as at 31 March 2022 and its net expenditure for the year then ended; and
- have been properly prepared in accordance with the Natural Environment and Rural Communities Act 2006 and Secretary of State directions issued thereunder.

Basis for qualified opinion on the financial statements

I have qualified my opinion on the financial statements in one respect:

I disagree with the accounting treatment applied to the income stream from the District Level Licencing scheme (the scheme).

In my opinion Natural England have not accounted for the revenue in accordance with International Financial Reporting Standard 15. Note 11 to the accounts, Trade, and other payables, includes £5.4 million of deferred income which was received under the scheme. Natural England have deferred recognition over time, whereas the revenue should have been recognised at a point in time. I am unable to quantify the impact had alternative treatments been adopted.

Based on the evidence obtained, I consider the impact of this treatment materially understates income, which would reduce net expenditure up to £5.4 million and result in an increase in net assets up to £5.4 million.

My report on pages 76 and 77 includes further details of the matters leading to my qualified opinion.

Opinion on regularity

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

Basis for opinions

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

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

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

Conclusions relating to going concern

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

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

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

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

Other Information

The other information comprises information included in the Annual Report but does not include the financial statements nor my auditor's certificate and report. The Board and the Accounting Officer is responsible for the other information.

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

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with

the financial statements, or my knowledge obtained in the audit or otherwise appears to be materially misstated.

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

As described in the Basis for qualified opinion section of this certificate, my audit opinion is qualified for the disagreement with the accounting treatment applied to the income stream from the District Level Licencing scheme. Income and deferred income information on the scheme is included in the Performance Report and accordingly we have concluded that the other information is materially misstated for the same reason.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Natural Environment and Rural Communities Act 2006.

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

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with Secretary of State directions made under the Natural Environment and Rural Communities Act 2006; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of Natural England and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report.

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

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by Natural England 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 subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Board and Accounting Officer for the financial statements

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

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced, and understandable;
- internal controls as the Chief Executive as Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing Natural England's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board and Accounting Officer anticipates that the services provided by Natural England will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

- the nature of the sector, control environment and operational performance including the design of Natural England's accounting policies, key performance indicators and performance incentives.

- Inquiring of management, Natural England's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Natural England's policies and procedures relating to:
 - identifying, evaluating, and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected, or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including Natural England's controls relating to Natural England's compliance with the Natural Environment and Rural Communities Act 2006 and Managing Public Money;
- discussing among the engagement team and involving relevant internal specialists, including asset valuers, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

I also obtained an understanding of Natural England's framework of authority as well as other legal and regulatory frameworks in which Natural England operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of Natural England. The key laws and regulations I considered in this context included the Natural Environment and Rural Communities Act 2006, Managing Public Money, employment law, pensions legislation and tax.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

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

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

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

Other auditor's responsibilities

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

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

Gareth Davies
Comptroller and Auditor General

12 December 2022

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

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

Background

1. Natural England is the government's adviser on the natural environment; and its purpose is to help conserve, enhance and manage the natural environment for the benefit of the present and future generations, thereby contributing to sustainable development. Natural England was created as a Non-Departmental Public Body under the Natural Environment and Rural Communities Act 2006. Natural England is accountable to the Secretary of State for the Environment, Food and Rural Affairs (Defra).
2. The purpose of this report is to explain the basis for the qualification of my audit opinion on the Natural England's 2021/22 financial statements.

District Level Licencing Scheme

3. One of the schemes Natural England operates is the District Level Licensing Scheme (the Scheme). The Scheme covers most of England and uses private sector funding to deliver strategic habitat (pond) creation for great crested newts. The Scheme provides alternative compensating habitat for developers wishing to utilise land which has been identified as a likely habitat of great crested newts. The Scheme incorporates a payment to Natural England at a cost of £16k per unit, which equates to the cost to create or restore a compensation pond and its ongoing maintenance and monitoring. The certificate issued by Natural England then supports a developer's application to the planning authority to demonstrate their compliance with protected species' licensing requirements and that appropriate compensating habitat has been confirmed by Natural England.
4. Natural England is required to prepare its Annual Report and Accounts under HM Treasury's Financial Reporting Manual, which requires that revenues are recognised in accordance with International Financial Reporting Standard 15 - Revenue for Contracts with Customers. This standard requires revenue to be recognised in the financial statements when (or as) the entity satisfies its obligations to its customers by transferring goods or services. In preparing its financial statements, Natural England has deferred, and not recognised as revenue, £5.4 million received from its customers, the developers, in respect of these certificates. This is on the basis that Natural England will incur ongoing costs to maintain and monitor compensation ponds.

Basis for my qualified audit opinion

5. In considering Natural England's approach, I consider that the Scheme does not provide the developer with further benefit once Natural England has issued the certificate and the related planning application has been approved. This is because, after this point, the developer has no ongoing responsibility to protect the great crested newt habitat. Therefore, I concluded that Natural England has no further obligations to provide goods or services to developers beyond issuing the certificate. The £5.4 million received should be recognised as revenue at the point the certificates were issued. Natural England's deferral of revenue, in my opinion, does not comply with the accounting standards and so results in a material understatement of revenue of

up to £5.4 million, and a material overstatement of deferred revenues within Trade Payables of an equivalent amount.

6. My opinion also draws attention to the impact of this issue on other reported information contained within the Performance Report, namely at page 30-36, where reference is made to the reported financial performance of Natural England.

Recommendation

7. I recommend that Natural England ensures it complies with accounting requirements when recognising revenue for such arrangements. Without any changes to the current recognition of the Scheme's revenues, I anticipate that I will continue to consider the deferred revenue recognition as not being a true and fair reflection of Natural England's transactions and will qualify my audit opinion in future years.

Gareth Davies
Comptroller and Auditor General

12 December 2022

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

Financial Statements

Statement of Comprehensive Net Expenditure for the year ended 31 March 2022

		31 March 2022	31 March 2021 Represented
	Note/Ref	£000	£000
Revenue from contracts with customers	4	(10,369)	(7,600)
Other operating income	4	(7,418)	(9,802)
Total income		(17,787)	(17,402)
Staff Costs	3	97,540	84,014
Other Costs	3	23,656	11,237
Depreciation, Amortisation and Impairment	3	5,764	1,253
Other Non Cash items	3	34,432	31,543
Grants and Subsidies	3	15,044	9,568
Programme expenditure	3	20,308	15,570
Total operating costs		196,744	153,185
Net operating costs		178,957	135,783
Interest receivable		(1)	(1)
Net expenditure		178,956	135,782
Other comprehensive expenditure			
Items that will not be reclassified to net operating costs			
Net (gain)/loss on			
Revaluation of PPE	SOCTE	(3,534)	(419)
Revaluation of Heritage Assets	SOCTE	(17,266)	(4,352)
Revaluation of inventories	SOCTE	(72)	(4,352)
Pension actuarial movements	12	21	19
Total comprehensive net expenditure for the year		158,105	131,030

Note: Represented means that expenditure within these areas have been reclassified and prior year figures have been amended to align to these reclassifications for comparative purposes. These can be identified further in note 3.

The accounting policies and notes on pages 83 -114 form part of these financial statements.

Statement of Financial Position as at 31 March 2022

	Note	31 March 2022 £000	31 March 2021 £000
Non-current assets			
Property, plant and equipment	5.1	20,682	15,972
Heritage assets	6	94,759	74,709
Agricultural assets		141	186
Intangible assets	5.2	2,777	144
Total non-current assets		118,359	91,011
Current assets			
Inventories		116	44
Trade, other receivables and contract assets	9	20,595	11,775
Cash and cash equivalents	10	23,760	10,023
Total current assets		44,471	21,842
Total assets		162,830	112,853
Current liabilities			
Trade, other payables and contract liabilities	11	(54,815)	(29,348)
Provisions	12	(3,692)	(3,183)
Pension provision	12	(16)	(16)
Other financial liabilities	16	-	-
Total current liabilities		(58,523)	(32,547)
Non-current assets plus/less net current assets/liabilities		104,307	80,306
Non-current liabilities			
Net pension liability	12	(300)	(296)
Total non-current liabilities		(300)	(296)
Assets less liabilities		104,007	80,010
Taxpayers' equity and other reserves			
General fund	SOCTE	26,760	22,513
Revaluation reserve	SOCTE	77,247	57,497
Total equity		104,007	80,010

The accounting policies and notes on pages 83 -114 form part of these financial statements.



Marian Spain
Accounting Officer and Chief Executive

12 December 2022

Statement of Cash Flows for the year ended 31 March 2022

	Note	31 March 2022	31 March 2021
		£000	£000
Cash flows from operating activities			
Net operating cost	SOCNE	(178,957)	(135,783)
Adjustments for non-cash transactions		7,166	3,799
Notional Corporate Services Recharge		33,102	28,977
(Increase)/Decrease in trade and other receivables	9	(8,820)	1,598
(Increase)/Decrease in inventories		(72)	20
Increase/(Decrease) in trade payables	11	25,467	7,678
Use of provisions	12	(773)	(890)
Net cash outflow from operating activities		(122,887)	(94,601)
Cash flows from investing activities			
Purchase of property, plant and equipment	5.1	(8,078)	(1,998)
Purchase of intangible assets	5.2	(2,696)	-
Purchase of non-current heritage assets	6	(1,745)	(2,900)
Purchase of agricultural biological assets		-	(9)
Proceeds of disposal of property, plant and equipment		142	9
Net cash outflow from investing activities		(12,377)	(4,898)
Cash flows from financing activities			
Grant in Aid income received by NDPBs (GF)	SOCTE	149,000	89,577
Interest received		1	1
Net financing		149,001	89,578
Net increase/(decrease) in cash in the period		13,737	(9,921)
Cash and cash equivalents at the beginning of the year	10	10,023	19,944
Cash and cash equivalents at the end of the year	10	23,760	10,023

The accounting policies and notes on pages 83 -114 form part of these financial statements.

Key:

SOCNE = Statement of Comprehensive Net Expenditure

SOCTE = Statement of Changes in Taxpayers' Equity

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2022

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2021		22,513	57,497	80,010
Grant in Aid income received by NDPBs		149,000	-	149,000
Net expenditure after interest	SOCNE	(178,956)	-	(178,956)
Non-cash adjustments				
Notional Corporate Services Recharge	3	33,102	-	33,102
Movements in reserves				
Other revaluation of tangible assets	7	-	20,872	20,872
Pension actuarial (gain)/loss	SOCNE	(21)	-	(21)
Transfers between reserves		1,122	(1,122)	-
Balance at 31 March 2022		26,760	77,247	104,007

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

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

The accounting policies and notes on pages 83 -114 form part of these financial statements.

Key:

SOCNE = Statement of Comprehensive Net Expenditure

The General Fund reserve reflects Natural England's cumulative position of net expenditure and funding from Defra, the sponsor body of Natural England, together with the historical cost of the non-current assets transferred on the creation of Natural England.

The Revaluation reserve is a non-cash reserve which reflects the increase in current value of non-current assets over the amount they were originally recorded at.

Notes to the Financial Statements

1. Statement of accounting policies

Basis of accounting

These Financial Statements have been prepared in accordance with the 2021/22 Government Financial Reporting Manual (FReM) issued by HM Treasury and the accounts direction issued by the Secretary of State for Defra, in accordance with Schedule 1, Sections 23 and 24 of the Natural Environment and Rural Communities Act 2006. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

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

1.1 Significant judgments and estimation uncertainty

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

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

All of Natural England's non-current land, building and heritage assets were professionally revalued as at 31 March 2022, by a firm of qualified and independent surveyors, Carter Jonas property consultants in accordance with the Royal Institution of Chartered Surveyors' (RICS) Appraisal and Valuation Manual.

The period between professional revaluations is normally five years (quinquennial) in line with accounting guidance, and in between these full revaluations, all freehold Land and Building and Heritage Assets are updated annually where of material value, using a professional desk top valuation exercise as stated in notes 1.3 & 1.7.1. Exceptionally this year's revaluation was carried out after six years as a result of the pandemic.

Valuations are required to follow the fair value hierarchy as prescribed in accounting guidance (IFRS 13). This is to increase consistency and comparability in fair value measurements and related disclosures. This hierarchy is categorised into three levels of input;

- *Level 1 inputs* – quoted prices (unadjusted) in active markets for identical assets or liabilities that Natural England has access to at the measurement date.
- *Level 2 inputs* – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- *Level 3 inputs* – unobservable inputs for the asset or liability.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1 inputs) and the lowest priority to unobservable inputs (level 3 inputs). Carter Jonas have assessed that all the assets valued should be categorised under level 2 inputs. They have observed quoted prices for similar assets in active market.

For this market approach consideration is given to sale prices of comparable assets. Where the asset class has an active market the comparable method of valuation is adopted (these assets are classified as non-specialised). On this basis research into comparable transactions is conducted to establish the capital value of a particular asset and adjustments are then made to reflect differences between the comparable property and asset being valued. For instance, adjustments are made if there are differences in specification and condition of the subject asset, its location and date of transaction referenced from the comparable property data.

Valuation of non-operational Heritage Assets has always proved complex to apply a market value, as the valuation process involves a number of judgemental assessments due to the specific features on any given site (for example Sites of Special Scientific Interest or Areas of Outstanding Natural Beauty) and for which due to their unique qualities a suitable comparative site is not easily found. Although the valuations are fully compliant with RICS methodology, valuations themselves rely on professional judgement, knowledge of the area, status of comparable data, status of site being valued and other subjective judgements. For 2021/22 it was identified that there was increased subjectivity around nine of our assets due to limited comparable market evidence (further details are set out in 1.7.1).

Where there is limited or no comparable market evidence a few assets have been valued using the depreciated replacement reinstatement value of similar properties in the market.

1.1.2 Employee Benefit Accrual

Natural England accounts for unused annual leave based on the annual leave period which ran from 1 January 2021 to 31 December 2021. Actual figures are collated from across the whole organisation and are then used as a proxy for unused annual leave as at 31 March 2022 in accordance with IAS 19 'employee benefits'. As the annual leave period, like the financial year is for a 12-month period it is considered that the variation would not be material. In addition to annual leave any flexi leave unused in line with Natural England's flexi leave policy is also accounted for. These costs are included as an accrual and the movement in year is recognised as an expense within staff member costs at the reporting date.

1.2 Accounting Convention

These accounts have been prepared on an accrual's basis, under the historical cost convention, modified to account for the revaluation of property, plant and equipment and intangible assets. The accruals basis of accounting means reporting income and expenditure when it is incurred rather than when it is received or paid.

Based on the assessment detailed on page 35 Natural England has sufficient resources to cover expected expenditure for a period of at least 12 months from the approval of the 2021/22 Annual Report and Accounts. The financial statements are therefore prepared on a going concern basis and are consistent with the FReM 2021-22 continued provision of service basis.

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

In accordance with IAS 16 as interpreted by the FReM, land and buildings are reported in the Statement of Financial Position at fair value, stated at market value in existing use. All are normally revalued every five years in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual (the Red Book). Exceptionally this year's revaluation was carried out after 6 years as a result of the pandemic. Operational heritage land and other land and buildings must be valued externally. All Land and Building assets have been valued by external

valuers in 2021/22 as at 31 March 2022. 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

The above are the lives used on initial capitalisation. If more robust information is made available over the course of the asset life this is applied. For example, as part of the quinquennial revaluation and annual desktop review, external valuers will provide an estimate of the remaining useful life of each of the assets they value. In addition, when assets are approaching the end of their lives, we carry out a review with the asset owners to determine whether the asset is still delivering future economic benefits and being utilised in service delivery. If it is, the useful life is extended, and with the asset owners' knowledge of the market (from auction sites for example), and the condition of the asset, we reliably extend the life as appropriate, alternatively the asset would be disposed. In line with IAS 16, we then recognise the depreciation charge based on the carrying amount and new remaining useful life.

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

1.5 Intangible Non-Current Assets and Amortisation

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

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

1.6 Research and Development

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

1.7 Heritage assets

1.7.1 Valuation

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. NE fulfils a stewardship role in respect of National Nature Reserves (NNR), which although they are open to the public for quiet recreation, they are held principally for their contribution to knowledge and culture and are classified as heritage assets.

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.

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 which is being held for the contribution to knowledge and culture but also used to provide other services. The remaining Heritage Assets are classified as non-operational.

Natural England's Heritage Assets since 2010 have been reported in the Statement of Financial Position (SoFP) at fair value, stated at market value and are subject to professional valuation every five years. As a result of the Covid-19 pandemic, the quinquennial valuation due to be undertaken as at 31 March 2021 delayed to 31 March 2022 has now been successfully completed. In between valuations, a detailed desk top review is undertaken by external valuers to ensure the valuations remain current and are in line with RICS red book guidance.

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

For 2021/22 the net increase in valuation for Heritage Assets was £17.6m (note 6 gives further details) and there was increased subjectivity around nine of our assets which fell into the following sub-set of assets due to limited comparable market evidence;

- Peatland – 5 assets (£5.7m)
- Coastal sand dunes, beaches, and foreshores – 3 assets (£0.5m)
- Heathland – 1 asset (£1.7m)

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

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

1.7.2 Acquisitions

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

1.8 Impairment

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

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

1.9 Financial Instruments

Natural England holds few financial instruments, those it does relate to either contracts for non-financial items in line with Natural England's expected purchase and usage requirements or income due for goods or services delivered by Natural England. These are both held at amortised cost. The objective is to manage these financial assets to collect the contractual cashflows. Natural England by individually reviewing all items of debt over 180 days recognise any impairment losses at an amount equal to lifetime expected credit losses by assessing the recoverability of aged debt through consideration of the circumstances of the customer. On this basis Natural England is 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 2021/22 there was no liability for Corporation Tax (2020/21, 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 and the Heritage Lottery Fund. These are credited straight to the Statement of Comprehensive Net Expenditure Account. If grants have conditions attached to them and are for funding in future years, they are held as deferred income.

1.14 Grants Payable

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

1.15 Operating Income

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

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

IFRS 15 includes a requirement to report;

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

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

Other Operating income excluded from IFRS 15 includes grants from the EU LIFE and other EU grant programmes and the Heritage Lottery Fund, charitable donations, and apprenticeship levy income. Income from government grants is recognised in accordance with IAS 20.

1.16 Cash and Cash Equivalents

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

1.17 Short Term Investments

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

1.18 Treatment of Foreign Exchange Differences

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

1.19 Employee Benefits

1.19.1 Pension Arrangements

Past and present employees are covered by either the provisions of the Principal Civil Service Pension Scheme (PCSPS) or The Civil Servants and others Pension Scheme (CSOPS known as “alpha”), full details of which can be found in the Remuneration and Staff Report. Although the PCSPS and alpha are defined benefit schemes, those covered by the schemes recognise the cost of the elements on a systematic and rational basis over the period during which it benefits from employees’ services, by payment to the PCSPS / alpha of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS / alpha.

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

1.19.2 Early Departure Costs

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

1.19.3 Other Employee Benefits

Natural England recognises a liability and expense for all other employee benefits, including unused annual and flexi leave, accrued at the Statement of Financial Position date, provided these

amounts are material in the context of the overall staff costs. No other material employee benefits were accrued at the Statement of Financial Position date.

1.20 Leases

A finance lease is one which transfers substantially all the risks and rewards of ownership to the lessee. If a leasing arrangement is in force for a substantial period of the useful expected life of the asset, then the lessee is assumed to carry all of the risk. An operating lease is a lease other than a finance lease. The determination of whether an arrangement is, or contains, a lease is based on the substance of that arrangement. This assessment is based on whether the arrangement is dependent on the use of a specific asset and conveys the right to use the asset. Natural England evaluates contractual arrangements in accordance with the above criteria as laid down in IAS 17. Operating leases and the rentals thereon are charged to the Statement of Comprehensive Net expenditure on a straight-line basis over the term of the lease. Where Natural England occupies a property that is leased by Defra, there is a future commitment that is consistent with arrangements containing a lease as defined by IFRIC 4. Natural England has an imputed finance lease commitment. Please see note 1.24 regarding the impending application of the new lease standard (IFRS 16) which will be effective from 1 April 2022.

1.21 Provisions

In accordance with IAS 37, Natural England provides for obligations arising from past events where it is probable that it will be required to settle the obligation and a reliable estimate can be made.

1.22 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, Natural England discloses possible obligations arising from past events where the outcome is based on uncertain future events. Similarly, disclosure is made where it has a present obligation that is not probable or cannot be measured reliably.

1.23 Notional Corporate Services Recharges

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

1.24 Impending Application of Newly Issued Accounting Standards Not Yet Effective

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

- **IFRS 16 – Leases effective from 1 April 2022**

IFRS 16 (Leases) has been effective since 1 January 2019 for the private sector. Due to the

impact on government departments of Covid-19, HM Treasury agreed with the Financial Reporting Advisory Board (FRAB) to defer the implementation of IFRS 16 across central government to 1 April 2022.

When implemented, IFRS 16 will replace IAS 17 (Leases) and related International Financial Reporting Interpretations Committee (IFRIC) and Standard Interpretations Committee (SIC) interpretations. For lessees, it will remove the previous distinction between finance leases and operating leases.

Under IFRS 16, all qualifying leases will recognise a right of use asset and lease liability. As a result, former operating leases will come on to the Statement of Financial Position. The Statement of Comprehensive Net Expenditure will reflect related charges for the depreciation of the right of use asset and interest on the lease liability in place of rental expenses and continue to reflect irrecoverable VAT where applicable on any leases as FRAB have determined this should not form part of the ROU asset value.

Within government, the scope of the standard has been extended to include lease-like arrangements that are not legally binding, for example Memorandum of Terms of Occupation (MOTOs). As mandated by the FReM, exemptions will be applied to short term leases with full terms or outstanding terms on transition of less than 12 months. The Defra group has elected to apply the low value exemption beyond transition and has set a threshold of £5,000 for recognition of leases, applied to the cost of the underlying asset when new. On initial application, the FReM requires government bodies to adopt the option of recognising the net cumulative effects of applying IFRS 16 as an adjustment to the opening balance of taxpayers' equity at 1 April 2022. This means that prior year comparatives will not be re-stated in Natural England's 2022-23 accounts. On transition, the opening cost of right of use assets will equal lease liabilities, adjusted for any lease prepayments or accruals that exist immediately prior to 1 April 2022. Lease liabilities will be calculated as the present value of outstanding payments due under the lease.

The subsequent measurement of right of use assets, and the opening measurement of peppercorn leases, will be at fair value or current value in existing use where assets are held for their service potential, unless cost represents a reasonable proxy. For land and buildings, valuations will be determined by appropriately qualified professionals in accordance with RICS Guidance. Current costs indices will be applied to other asset categories.

The estimated impact of IFRS 16 on the Statement of Financial Position as at 1 April 2022 and the anticipated charges to the Statement of Comprehensive Net Expenditure in 2022–23 are as follows:

For leases in existence at 1 April 2022 - Opening Balance

Statement of Financial Position	£'000
Estimated IFRS 16 lease Liabilities in SoFP at 1 April 2022	(5,705)
Estimated Right of use assets in SoFP at 1 April 2022	7,128
Estimated increase/(decrease) in Taxpayers' equity at 1 April 2022	1,423

Estimated Leases for 2022/23

Statement of Comprehensive Net Expenditure	£'000
IAS 17 estimated rentals	524
IFRS 16 equivalent in year estimated charges; Depreciation	524
Interest	54
Total	578
Increased expenditure	54
Value of low value leases	-
Value of short term leases	19
Number of low value leases	-
Number of short term leases	11

- **IFRS 17 – Insurance contracts**, the International Accounting Standards Board has decided to defer the initial application date of IFRS 17 to periods starting on or after 1 January 2023. It is expected, therefore, to be introduced into the FReM with an effective date of 1 April 2023 (2023/24).

IFRS 17 establishes the principles for the recognition, measurement, presentation, and disclosure of insurance contracts within the scope of the Standard. It replaces IFRS 4, and it is anticipated that some forms of guarantees and contingent liabilities may be reclassified as insurance contracts, potentially bringing new liabilities onto the balance sheet.

An insurance contract is defined as:

“A contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder”.

Natural England will need to test any guarantees it holds and its contingent liabilities for potential recognition, but at this stage does not expect a significant impact on its financial statements as a consequence of applying IFRS 17.

2 Analysis of Net Expenditure by Segment

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

Natural England’s Executive Leadership Team (NExCo) and Governance Groups (Investment , Portfolio and Delivery Committees), comprising senior managers, evaluate performance regularly at and below operating segments, whilst deciding how to allocate resources and monitor outcomes.

During 2021/22 Natural England underwent a minimal internal restructure to support the organisation’s change and transformation programme in order to deliver more effectively Natural England’s Strategy (page 13). The operating segments are as follows:

Strategy and Government Advice, including:

- Sustainable Development
- Greener Farming and Fisheries
- Connecting People with Nature
- Resilient Landscapes and Seas
- Marine, Coasts and Water
- Strategy

Business Management and Change:

- Transformation
- Portfolio Management Office

Operations, including:

- National Operations
- Operations Team North
- Operations Team South

Chief Scientist, including:

- Evidence Services
- Specialist Services and Programmes

Legal, Governance and External Affairs, including:

- Corporate Governance
- Legal Services
- External Affairs

2.1 Statement of Comprehensive Net Expenditure for the year ended 31 March 2022 by operating segment:

	Legal & Governance		Operations	Science & Evidence	Strategy & Reform	Business Management & Change	TOTAL
	Internal	Defra Recharges					
	£000	£000					
Revenue from contracts with customers	-	-	(9,930)	(351)	(88)	-	(10,369)
Other operating income	(151)	-	(6,096)	(14)	(1,158)	-	(7,419)
Total Operating income	(151)	-	(16,026)	(365)	(1,246)	-	(17,788)
Staff costs	5,230	-	57,392	13,209	17,317	4,392	97,540
Other operating Costs	5,750	-	7,394	6,006	2,910	1,596	23,656
Other non cash items	1,330	33,102	-	-	-	-	34,432
Impairment	-	-	4,850	-	-	-	4,850
Depreciation and amortisation	914	-	-	-	-	-	914
Programme and Grant Expenditure	70	-	17,137	6,737	11,388	20	35,352
Total Expenditure	13,294	33,102	86,773	25,952	31,615	6,008	196,744
Net Expenditure	13,143	33,102	70,747	25,587	30,369	6,008	178,956

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

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

	Legal & Governance		Operations	Science & Evidence	Strategy & Reform	Planning & Performance	TOTAL Represented
	Internal	Defra Recharges					
	£000	£000					
Revenue from contracts with customers	-	-	(6,214)	(275)	(1,111)	-	(7,600)
Other operating income	(273)	-	(8,352)	(72)	(1,106)	-	(9,803)
Total Operating income	(273)	-	(14,566)	(347)	(2,217)	-	(17,403)
Staff costs	5,436	-	51,541	11,493	13,630	1,914	84,014
Other operating Costs	399	1,852	1,592	6,358	446	590	11,237
Other non cash items	575	28,977	1,991	-	-	-	31,543
Impairment	-	-	60	-	-	-	60
Depreciation and amortisation	1,193	-	-	-	-	-	1,193
Programme and Grant Expenditure	310	-	14,715	74	10,039	-	25,138
Total Expenditure	7,913	30,829	69,899	17,925	24,115	2,504	153,185
Net Expenditure	7,640	30,829	55,333	17,578	21,898	2,504	135,782

3. Expenditure

	31 March 2022	31 March 2021
	£000	Represented £000
Staff Costs		
Wages and Salaries	73,552	64,586
Social Security Costs	7,180	6,299
Other Pension Costs	18,612	16,659
Less recoveries in respect of outward secondments	(1,804)	(3,530)
Staff Costs	97,540	84,014
Other Costs		
Travel, subsistence and hospitality	2,032	328
Estate management	886	744
Stationery & printing	47	37
Internal audit fees	165	121
Transport & plant costs	862	542
Credit Losses	22	-
Credit Losses: Covid 19 related	-	14
SSCL shared service charges	127	1,852
Other professional Services	1,765	741
Science & Evidence Monitoring Surveillance	13,051	5,211
IT Costs	2,398	513
Training & Development	1,317	275
Other Operating costs	984	859
Non-cash items		
Depreciation	858	775
Amortisation	56	418
Revaluation/Impairment on non-current assets	4,850	60
Prior year adjustment	-	101
Provisions provided for in year/(written back)	1,265	2,389
Notional Corporate Service Recharges	33,102	28,977
Loss on the disposal of Property, Plant and Equipment	207	86
Profit on the disposal of Property, Plant and Equipment	(142)	(10)
Grants & subsidies: EU		
Programme		
Grant Expenditure	15,044	9,568
Rentals under operating leases	742	751
Research and development expenditure	8,885	5,826
Legal expenditure	883	224
Other programme expenditure	9,798	8,769
Total	196,744	153,185

Note: The position for 31 March 2021 has been represented due to the introduction of new expenditure lines to aid understanding. These include Other professional Services, Science & Evidence monitoring surveillance and IT costs. The equivalent prior year information has been amended with this information coming out of Other operating costs and Other programme expenditure for comparative purposes.

4. Income

4.1 Revenue from contracts with Customers

	31 Mar 2022	31 March 2021
	£000	£000
Discretionary Advice (inc. PSS and undefined scope)	3,233	3,250
Wildlife Incident Investigation Service (WIIS)	359	274
Strategic Access Management and Monitoring (SAMM) agreement	458	441
National Nature Reserves (NNR) income	803	750
Contributions and grants from partners and private sector companies	198	718
Miscellaneous Income	277	189
Great Crested Newt District Level Licensing income	3,500	1,033
Other fees levies and charges	1,541	945
Total Revenue from contracts with Customers	10,369	7,600

4.1.1 Significant judgements applied

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

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

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

4.1.2 Performance obligations (PO)

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

4.1.3 Transaction price allocated to remaining performance obligations

As of 31 March 2022, Natural England has two multi-year contracts in place that have not completed (the HS2 contract ended in March 2022);

- i. Strategic Access Management and Monitoring (SAMM) agreement contract, which is billable quarterly in arrears. Natural England accounts for the income due under the SAMM agreement based on how much of the performance obligation has been completed by 31 March 2022.
- ii. Great Crested Newt (GCN) district level licencing – Revenue relates to receipts from Developers for creating and maintaining District Level Licensing ponds over a twenty-five-year period in line with contractual commitments. The conservation payment receipt is recognised over time as the work is completed.

By March 2022 GCN district level licencing was available in 185 local authority areas, of which Natural England is acting as the habitat provider for 147 of these, private bodies for 35 and then there are 3 local authorities covering the remainder schemes. For the schemes where Natural England is the habitat provider 940 ponds were created or restored during 2021/22 giving a cumulative total number of ponds created or restored up to March 2022 of 1,839. Monitoring and maintenance activity for these ponds is actively progressing in line with agreed plans. Since inception, GCN district level licensing has provided pond habitat mitigation for over 600 different customers ranging from individual landowners, SMEs to large national homebuilders and infrastructure providers.

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

	<u>31 March 2022</u>	<u>31 March 2021</u>
	<u>£000</u>	<u>£000</u>
EU Technical Assistance Funding	36	-
Rural Development Programme for England	-	3,603
Basic Payment Scheme	919	1,135
Apprenticeship Levy	155	206
EU Life Grants	2,823	2,062
Heritage Lottery Funding	3,429	2,702
Grants from Central Government	-	66
Donations	56	28
Total Other Operating Income	<u>7,418</u>	<u>9,802</u>

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

- EU Technical Assistance Funding and Rural Development Programme for England (RDPE) Funding are classed as grants to fund departmental spending on monitoring and evaluation of the EU's Countryside and Environmental Stewardship schemes. Technical Assistance Funding for Natural England ceased in 2020/21 but there is a small balance in 2021/22 relating to prior year income received. RDPE funding ceased in 2020/21.
- The Basic Payment Scheme is a grant formerly funded from the EU and from 15 October 2020 funded by the UK government for actively farmed land holdings. Natural England owns and manages land holdings within this scheme in a sustainable way to offer environmental and other benefits in accordance with the scheme requirements. The Basic Payment Scheme is being phased out and will be replaced by new schemes funded by the UK government in due course.
- EU Grants are income received from the EU Life fund and other EU grant programmes for delivering specific environmental projects. Natural England is no longer eligible to apply for new EU LIFE grants since EU exit, but existing grant funded projects will continue being funded until the end of the project. Natural England is still eligible for Horizon2020 funding.
- Heritage Lottery Funding is grant income received from the National Lottery for delivering specific environmental projects.

5. Non-current assets

In accordance with IAS 16 as interpreted by the FReM, all freehold land (except non-operational heritage assets) and buildings are stated at fair value, and are revalued every five years by qualified valuers, on the basis of existing value in use, in accordance with the Royal Institution of Chartered Surveyors' (RICS) Appraisal and Valuation Manual. The previous full quinquennial revaluation exercise was carried out as at 31 March 2016. As a result of the Coronavirus pandemic, the next full revaluation exercise was delayed. This has now been undertaken as at 31 March 2022 by Carter Jonas. Please see note 1.1.1 for further details.

5.1a Property, plant, and equipment

	Land	Buildings owned	Leasehold Improvements	IT	Furniture & Fittings	Plant & Machinery	Vehicles	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2021	4,315	10,195	831	921	2,638	6,888	3,182	1,118	30,088
Additions	2,590	1,357	-	-	-	979	2,327	825	8,078
Disposals	(10)	(111)	(624)	(195)	(140)	(362)	(145)	-	(1,587)
Impairment (note 7)	(847)	(4,555)	-	-	-	-	-	-	(5,402)
Reclassifications	(742)	(101)	(208)	-	206	326	(223)	-	(742)
Revaluation	2,029	1,108	-	3	-	337	90	-	3,567
At 31 March 2022	7,335	7,893	(1)	729	2,704	8,168	5,231	1,943	34,002
Depreciation									
At 1 April 2021	-	2,589	524	896	2,456	5,472	2,179	-	14,116
Charges in year	-	235	20	21	61	340	180	-	857
Disposals	-	(30)	(542)	(194)	(140)	(343)	(139)	-	(1,388)
Impairment (note 7)	-	(298)	-	-	-	-	-	-	(298)
Reclassifications	-	(23)	(3)	-	(40)	66	-	-	-
Revaluation	-	(325)	-	-	-	282	76	-	33
At 31 March 2022	-	2,148	(1)	723	2,337	5,817	2,296	-	13,320
Net book value 31 March 2022	7,335	5,745	-	6	367	2,351	2,935	1,943	20,682
Net book value 31 March 2021	4,315	7,606	307	25	182	1,416	1,003	1,118	15,972
Assets financing									
Owned	7,335	5,745	-	6	367	2,351	2,935	1,943	20,682
Net book value 31 March 2022	7,335	5,745	-	6	367	2,351	2,935	1,943	20,682

5.1b Property, plant, and equipment

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

5.2a Intangible assets

	31 March 2022	31 March 2021
	Purchased Software	Purchased Software
	£000	£000
Cost or valuation		
At 1 April	9,578	10,669
Additions	291	-
Assets under construction	2,405	
Disposals	(321)	(1,105)
Reclassifications	-	14
At 31 March	11,953	9,578
Amortisation		
At 1 April	9,434	10,121
Charged in year	56	418
Disposals	(314)	(1,105)
At 31 March	9,176	9,434
Net Book Value at 31 March	2,777	144
Net Book Value at 1 April	144	548
Assets Financing		
Owned	2,777	144
Net book value 31 March	2,777	144

6. Non-current heritage assets

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

As at 31 March 2022 there were 222 NNRs in England covering 97,000 hectares. Natural England manages 139 of these on its own or jointly with others, and the remainder are managed by Approved Bodies. Only the value of the NNRs owned or leased by Natural England are reflected in the non-current heritage assets within these accounts. The current net book value of donated heritage assets is £2m.

As explained in the Statement of Accounting Policies, valuation of non-operational Heritage Assets has always proved complex to apply a market value as the valuation process involves a number of judgemental assessments due to the specific features of the site and for some sites with particular features (ie Peatlands, Heathland and Coastal sand dunes and foreshores) there is limited comparable market evidence.

The revaluation of Heritage Assets at 31 March 2022 saw a net increase in value of £17.6m. Valuations were arrived predominantly by reference to quoted prices for similar assets in an active market (level 2 inputs) in the relevant local region. Consideration was also given to the wider market and transaction trends outside the immediate locality for some asset classes that were scarce within the locality. The increase was largely due to significant increases in the market value which were backed up by market evidence in sites which included woodland, pasture, and grassland/amenity land. £6.8m (39%) of the increase related to just 5 sites;

- Moorhouse & Upper Teesdale NNR – A significant area encompassing an almost complete range of upland habitats typical of the North Pennines (rough grazing, blanket bog, and the high fells). Comparable market evidence reflects the carbon market sentiment.
- Somerset Levels NNR – Moorland pasture with market evidence reflecting the increase in value in the locality.
- Stoborough Heath NNR – Farmland and open heathland new evidence of strong demand in the area recently available.
- Humberhead Peatlands NNR – Lowland peat with naturally wet surfaces, scattered with areas of mature woodland and rough grazing land. The value of the woodland and rough grazing land has increased considerable in recent years and recent comparable evidence supports this.
- Langley Wood NNR – Purchased in 2020/21 at a special purchaser price due to holding a long-term lease, the increase is based on a range of comparable evidence.

6. Non-current Heritage Assets

	Operational £000	Non Operational £000	Assets under Construction £000	Total £000
At 1 April 2021	3,361	71,348	-	74,709
Additions	-	1,745	-	1,745
Impairment	-	297	-	297
Reclassifications	-	742	-	742
Revaluation	(1,041)	18,307	-	17,266
Net Book Value 31 March 2022	2,320	92,439	-	94,759
At 1 April 2020	3,251	63,835	-	67,086
Prior Year adjustments	-	15	-	15
Additions	-	2,900	-	2,900
Impairment	-	(205)	-	(205)
Reclassifications	-	561	-	561
Revaluation	110	4,242	-	4,352
Net Book Value 31 March 2021	3,361	71,348	-	74,709
Gross cost at 1 April 2019	3,251	61,587	-	64,838
Additions	-	109	-	109
Impairment	-	1	-	1
Reclassifications	-	185	-	185
Revaluation	-	1,953	-	1,953
Net Book Value 31 March 2020	3,251	63,835	-	67,086
Gross cost at 1 April 2018	3,251	59,822	-	63,073
Prior Year adjustments	-	22	-	22
Additions	-	-	1,950	1,950
Impairment	-	(58)	-	(58)
Reclassifications	-	1,950	(1,950)	-
Revaluation	-	(149)	-	(149)
Net Book Value 31 March 2019	3,251	61,587	-	64,838
Gross cost at 1 April 2017	3,001	53,962	242	57,205
Additions	-	1,686	(242)	1,444
Transfers	-	(37)	-	(37)
Disposals	-	(227)	-	(227)
Impairment	-	(1,227)	-	(1,227)
Reclassifications	-	(143)	-	(143)
Revaluation	250	5,808	-	6,058
Net Book Value at 31 March 2018	3,251	59,822	-	63,073

7. Impairments

	31 March 2022	31 March 2021
	£000	£000
Impairment to Statement of Comprehensive Net Expenditure		
(Charge)/Credit to Statement of Comprehensive Net Expenditure	(4,850)	(60)
(Charge)/Credit to Revaluation Reserve	20,872	4,771
	16,022	4,711

	Upward Revaluation	Downward Revaluation	Total RR Movement	Impairment to OCE
	£000	£000	£000	£000
Land	3,130	(1,101)	2,029	(847)
Building	2,467	(1,034)	1,433	(4,256)
IT	3	-	3	-
Vehicles	14	-	14	-
Plant & Machinery	55	-	55	-
	5,669	(2,135)	3,534	(5,103)
Heritage Assets	19,498	(2,232)	17,266	297
Agricultural Assets	-	-	-	(44)
Inventory	72	-	72	-
	19,570	(2,232)	17,338	253
Balance at 31 March 2022	25,239	(4,367)	20,872	(4,850)

Upward revaluation and downward impairment charges are initially offset against the revaluation reserve (subject to note 1.8 to the Accounts) where an accumulated balance exists on an asset-by-asset basis. If no balance exists, the charge is then made to the SoCNE. These charges have largely come out of the quinquennial revaluation of Natural England's Land, Building and Heritage assets at the year-end undertaken by external valuers.

There was a net decrease in value of £1.6m on Land and Buildings as a result of the revaluation at 31 March 2022.

Details of the Heritage Asset revaluation increase of £17.6m are explained in note 6 above.

8. Financial instruments

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

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

9. Trade and Other Receivables

	31 March 2022	31 March 2021
	£000	£000
Amounts falling due within one year		
Trade receivables	4,805	5,326
Prepayments	11,967	287
Accrued income	3,438	5,883
Contract Assets	427	320
Less Expected Credit Loss for receivables and contract assets	(42)	(41)
Total Receivables	20,595	11,775

Prepayments have increased significantly at 31 March due to a number of land purchases which were due to take place in March 2022 slipping into 2022/23. Funds had already been transferred to solicitors, but final exchange and completion were not made by 31 March 2022 and as a result the funds with solicitors were treated as prepayments. The purchases were successfully completed in 2022/23.

10. Cash and cash equivalents

	31 Mar 2022	31 March 2021
	£000	£000
Balance at 1 April	10,023	19,944
Net change in cash and cash equivalent balances	13,737	(9,921)
Balance at 31 March	23,760	10,023
The following balances at 31 March are held at:		
Office of HM Paymaster General/Government Banking Services	23,495	9,757
Short term investments	265	266
Balance at 31 March	23,760	10,023

Cash balances at 31 March have increased considerably. This is largely the result of an increase in external funding for projects which will continue for several years, there is a corresponding increase in deferred income. In addition, due to the increased Trade Payables on the previous year, it was felt prudent to ensure there was sufficient cash in the event of payment reaching the supplier by 31 March. Trade payables are liabilities created when an invoice is paid on the system, cash has not yet changed hands, but is scheduled to do so imminently.

11. Trade and other payables

	31 March 2022	31 March 2021
	£000	£000
Amounts falling due within one year		
VAT	653	617
Other taxation & social security	1,912	1,669
Trade and other payables	10,470	5,710
Accruals	29,253	14,798
Deferred income	12,513	6,470
Contract liabilities	14	54
Trade and other payables	54,815	29,318
Amounts falling due after more than one year		
Countryside S28 payables	-	30
Total Payables	54,815	29,348

Accruals include amounts for goods received not yet invoiced and has increased significantly on the previous year. This is largely a result of long procurement timelines with shorter delivery periods pushed into end of year, and increased volumes due to a significant budget increase.

The Deferred income balance has increased over the year due to external income being received for a number of projects, where the related expense is not due to be made until 2022/23 and beyond and for this reason the income has been carried forward to fund this expenditure. The most significant of these projects is District Level Licencing Newts, where conservation payment receipts come in from Developers for creating and maintaining ponds over a 25-year period in line with contractual commitments. The conservation payment receipts are recognised over time as the work is completed (further details on the scheme can be found on page 32).

12. Provisions

	Balance at 1 April 2021	Provided in the year	Provisions Utilised in the year	Provisions not required written back	Balance at 31 March 2022
	£000	£000	£000	£000	£000
Pension Provision	312	21	(17)	-	316
Litigation	3,183	1,375	(756)	(110)	3,692
	3,495	1,396	(773)	(110)	4,008

Analysis of expected timings of discounted flows

	Balance at 1 April 2021	Not later than one year	Later than one year and not later than five years	Later than five years	Balance at 31 March 2022
	£000	£000	£000	£000	£000
Pension Provision	312	16	67	233	316
Litigation	3,183	3,692	-	-	3,692
	3,495	3,708	67	233	4,008

13 Commitments under leases

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

	31 Mar 2022	31 March 2021
	£000	£000
Land		
Land operating leases - not later than 1 year	381	380
Land operating leases - 1 to 5 years	1,171	1,206
Land operating leases - over 5 years	2,733	2,967
Total of land operating leases	4,285	4,553
Buildings		
Buildings operating leases - not later than 1 yr	155	163
Buildings operating leases - 1 to 5 years	445	500
Buildings operating leases - over 5 years	413	502
Total of buildings operating leases	1,013	1,165
Total operating leases	5,298	5,718

13.2 Defra properties occupied by Natural England

	31 March 2022	31 March 2021
	£000	£000
Land		
Land operating leases - not later than 1 year	-	-
Land operating leases - 1 to 5 years	-	-
Land operating leases - over 5 years	-	-
Total of land operating leases	-	-
Buildings		
Buildings operating leases - not later than 1 year	1,451	1,339
Buildings operating leases - 1 to 5 years	1,990	2,391
Buildings operating leases - over 5 years	578	433
Total of buildings operating leases	4,019	4,163
Total operating leases	4,019	4,163

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

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

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

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

14. Commitments under Private Finance Initiative (PFI)

14.1 Off-balance sheet

An off-balance sheet contract was signed by Defra in February 2001. The scheme involved the grant of a 129-year ground lease to a PFI partner who constructed an office building for Defra, occupied in 2003, subject to a 30-year lease to 28 March 2033. Break points in the lease exist at the 15-, 20- and 25-year points (with the first break point at 28 March 2018). The building is not an asset of the Department and will not revert to Defra at the end of the lease term. The freehold land subject to the ground lease is a Defra asset. In 2021/22 the occupancy proportions of Defra and other occupiers remained unchanged from 2020/21 with Natural England occupying 24.01 percent. These percentages are calculated based on the net internal area occupied by each tenant and each tenant is recharged a share of the costs based on their occupancy.

In September 2017 Defra served notice to hand back to the landlord four out of the five break areas on 28th March 2018. The reduced space is now shared between government departments with Defra continuing to take the leading holder role and granting MOTOs to occupiers for the full 5-year period to the next break in March 2023. At the end of March 2023, Defra's intention is to exercise the break and either vacate the site or remain in occupancy under a new agreement.

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

	31 Mar 2022	31 March 2021
	£000	£000
Not later than one year	554	533
Later than one year and not later than five years	-	533
Present value of obligations	554	1,066

Note: Due to a lease break 28th March 2023, the contractual commitment is currently only for 1 year. The annual figure has been adjusted to take account of the contract end date preceding the 31 March 2023.

Note: Increase in annual commitment is driven by an increased performance charge which is impacted by RPI.

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 2021/22 or 2020/21.

15. Capital Commitments

Contracted capital commitments at 31 March 2022 not otherwise included in these financial statements:

	31 March 2022
	£000
Land	2,500
Total capital commitments	2,500

16. Other financial commitments

The department has entered into non-cancellable contracts (which are not leases or other service concession arrangements). The payments to which the department is committed in respect of Natural England are as follows:

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	31 Mar 2022	31 March 2021
	£000	£000
Not later than one year	924	724
Later than one year and not later than five years	927	1,451
Later than five years	-	-
Present value of obligations	1,851	2,175

The commitment for the Mitie facilities management contract includes values for the core fee and reactive maintenance. The core fee for 2022/23 has not yet been agreed with Mitie. The figure provided is an estimate based on 2021/22 core fee, plus agreed contract variations and the Retail Price index all items excluding mortgage interest (RPIX) at March 2022.

The level of Reactive Maintenance funding for 2021/22 has not yet been agreed with Mitie. The value disclosed is estimate used for planning purposes based on average of 2019/20, 2020/21 and Q3 spend in 2021/22.

Cost allocations between organisations is based on FTE in each building. The cost associated with sublet or vacant space is 100% Core Defra. The commitment for the Mitie contract is subject to change as the size of the Estate adjusts through Transformational Change.

The Business Case Proformas included are those which have been committed to and which are either in progress (partial commitment recognised) or yet to commence and for which there is a commitment (PO) in place. This includes commitment for bodies within and outside of the Defra Network as the contract is in Defra's name, should respective parties default the assumption is that Defra would retain the liability. In 2015/16 the Revenue Project Budgets were centralised therefore any outstanding commitment is not wholly Defra's.

All values are net of VAT.

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

Natural England has the following contingent liabilities:

	31 March 2022	31 March 2021
	£000	£000
Claims and Litigation	1,054	1,331

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

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

18. Related party disclosures

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

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

Member/Senior staff Related Party Disclosures	Corporate Related Body	Total Payments made	Total Income Received	Amount owed by Natural England 31 March 2022	Amount Owed to Natural England at 31 March 2022
		£000	£000	£000	£000
Catherine Dugmore	Royal Botanic Gardens Kew	70	-	92	-
Henry Robinson	Hawk and Owl Trust	27	1	-	-
Kerry ten Kate	Royal Society for the Protection of Birds	724	21	731	-
Rt Hon Lord David Blencathra	JNCC - Joint Nature Conservation Committee	36	-	-	-
Michael Winter	JNCC - Joint Nature Conservation Committee	36	-	-	-

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

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

19. Events after the reporting date

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date of which the accounts are authorised for issue by the Accounting Officer which is the date of the Certificate and Report of the Comptroller and Auditor General. There are no reportable events.

Natural England Sustainability report 2021/22 (unaudited)

Background

The environmental data and associated financial costs presented in the following pages are consistent with the requirements of HM Treasury's Public Sector Annual Reports [Sustainability reporting guidance 2021/22](#). The information contained within this annex has not been subject to audit and does not form part of the auditors' opinion on the accounts.

Introduction

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

As an environmental organisational and as a public body, Natural England recognises the importance in practical and reputational terms of ensuring that, in addition to our direct work contributing to the improvement of the environment, we ensure that our ways of working also make a positive contribution in any way possible.

In turn, this work complements the emerging wider Defra Sustainability Strategy which looks to address the environmental impacts and mitigation measures from all Defra Group's internal operations.

This report focuses on the most significant estate and travel impacts identified through the Defra Group's Environmental Management Systems measured against the recently updated for 2021-2025 [Greening Government Commitments \(GGC\)](#) framework and targets. These commitments apply to the office and non-office estate of central government departments and their Executive Agencies, Non-Ministerial Departments and Executive Non-Departmental Public Bodies such as Natural England. Key changes to the GGCs compared to 2016 to 2020 are:

- changing the target baseline year from 2009 to 2010 to 2017 to 2018, to reflect the current government estate and ensure government builds on the progress it has already achieved since 2009 to 2010
- setting more stretching targets on the core areas of emissions, water, waste, and domestic flights, and introducing new measures on biodiversity, climate adaptation and food waste
- reorganising the targets into headline commitments and sub-commitments, so that departments can commit to common overall objectives, with sub-commitments which contribute to the overall aims

This target framework is set for the period between April 2021 to March 2025. However, due to the uncertainty of the long-term changes arising from the coronavirus (Covid-19) pandemic, the government may need to review the GGC target framework before 2025. This will ensure the targets remain ambitious if people continue to work from home more frequently and if office use and commuter and travel patterns change significantly.

Governance

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

Targets and Performance

The GGC headline targets measured against the new 2017/18 baseline are:

- Cut greenhouse gas (GHG) emissions by 50% (bespoke target for Defra group) from the whole estate and UK business transport. Reducing direct CO₂e (buildings) by 15%.
- Reduce overall amount of waste generated by 15%.
- Reduce paper use by 50%.
- Reduce water consumption by 8%.
- Continue to buy more sustainable and efficient products and services with the aim of achieving the best long-term, overall value for money for society.

Overall Greening Government Commitments performance 2021/22

Overall Greening Government Commitments performance 2021/22				
Area	Units	2017/18 baseline	2021/22 Performance	Summary GGC targets for Defra Group 2021-2025
Greenhouse gas (GHG) emissions (not including NNRs)*	tCO ₂ e	2,035	1,366	Reduce overall CO ₂ e by 50%.
Reduce Building emissions	tCO ₂ e	153	259	Reduce direct CO ₂ e (buildings) by 15%.
Reduce Flights	Total	7	-	Reduce domestic flights emissions by 30%.
Water Consumption (not including NNRs)*	m ³	3,426	1,076	Reduce water consumption by 8%.
Total Waste	tonnes	58	33	Reduce overall amount of waste generated by 15%.
Total Waste to Landfill	%	2.5	-	Reduce landfill to 5% of overall waste.
Reduce Paper	Reams	7,115	173	Reduce paper use by 50%.

*NNRs only reported from 20/21 onwards, so not included in the baseline. See later tables for data

Key

On course to meet summary GGC Defra target for 2025		Improvement needed to meet summary GGC Defra target for 2025		Performance has worsened since the baseline year 2017/18	
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Summary of 2021/22 Performance

Detail this year has been difficult again to reconcile due to fundamental changes to ways of working during Covid-19 as staff have worked from home, not used offices, and travelled infrequently. With all restrictions only being lifted at the end of February 2022, there has been too short a time to see a significant upturn in emissions from the return to offices or site visits.

Our performance in 2021/22 has shown reductions in all commitments against the summary Defra 2025 targets using the new 2017/18 baseline, apart from the energy emissions from our built estate, which have risen. The reason for this rise is not clear and since this figure does not include emissions from the NNR estate (which were not factored into the 2017/18 baseline) this combined figure will be higher overall. Note that the energy, waste, and water data are still based only on those buildings where data is available, as provided by Defra. The utilities cost data also includes notional recharges for buildings where Natural England shares space with other bodies.

Work to better understand and improve baseline environmental performance data gaps in Natural England and Defra has progressed in 2021/22 with homeworking and commuting data gathering methodologies almost finalised. We hope to be able to include the emissions from these activities in our total figures next financial year.

We continue to ensure that the culture and behaviours we have adopted around carbon reduction and sustainable ways of working remain embedded in our daily work. Travel minimisation is firmly embedded along with low carbon travel choices as “business as usual” ways of working.

For 2022/23, Natural England will produce a standalone Environmental Report. The intention here is both to be transparent about our wider organisational environmental impact (beyond those of just the GGCs) but also to demonstrate the use of relevant standards such that the way we are reporting and the way we are holding ourselves to account can provide a template for others to follow.

Breakdown of reporting areas for the GGCs 2021-2025

A. Mitigating climate change: working towards net zero by 2050

<p>Headline target: Reduce the overall greenhouse gas emissions from a 2017/18 baseline and also reduce direct greenhouse gas emissions from the estate and operations from 2017/18.</p>

The table below outlines our Scope 1 (direct), Scope 2 (indirect) and Scope 3 (related to business travel) emissions for Natural England in tonnes of CO₂e, kilowatt hours (kWh) and cost.

Greenhouse Gas emissions and consumption costs 2021/22

Greenhouse gas (GHG) emissions from buildings and travel		2021/22	2020/21	2019/20	2018/19	2017/18
Non-financial indicators (tCO ₂ e)	Total Gross Scope 1 & 2 (direct and indirect) GHG emissions	630*	606*	514	649	720
	Total Gross Scope 3 (official business travel) GHG emissions	845	58	1281	1700	1124
	Total emissions	1475	664	1795	2349	1844
Non-financial indicators (kWh)	Electricity: non renewable	-	-	-	-	-
	Electricity: renewable	1652227*	1187620*	695880	784261	790324
	Electricity : combined heat and power (CHP)	-	-	-	-	-
	Gas	1445417*	790092*	658889	854038	747370
	Other Energy Sources	-	-	-	-	-
	Total Energy	3,097,645*	1,977,712*	1,354,769	1,638,299	1,537,694
Financial indicators (£000's)	Expenditure on energy	91	74	72	183	165
	Expenditure on official business travel	1069	72	2592	2440	2540
	Total expenditure on energy and business travel	1160	146	2664	2623**	2720**
	* including energy use by NNRs					
	** include CRC license expenditure					

Since we are now regularly reporting the GHG emissions from our NNR estate as well as our office estate, in 2021/22, we see increased figures for electricity and gas use compared with previous years. Notwithstanding this, our total GHG emissions remain well below those levels pre-Covid-19.

The biggest increase in our carbon emissions is from the resurgence in official business travel as we gradually emerged from Covid-19 restrictions and returned to offices, meetings, and site visits. This is still however, only half the amount of carbon we emitted from business travel in 2019/2020, pre- Covid-19.

One of the sub-targets of the new Greening Government Commitments is around ultra-low emission vehicles, where “100% of the Government car and van fleet to be fully zero emission at the tailpipe by 31 December 2027.” Natural England has a very small car fleet, mainly made up of vehicles used on the NNR estate. Although the commitment will be a stretch (as some of the electric 4-wheel drive capability is still in development), we have started to replace our NNR vehicle fleet with cleaner alternatives. This year we have also

purchased 3 Spartan Electric 4-wheel drive vehicles to trial their performance at different NNR reserves, on different terrains and undertaking different tasks.

Expenditure on all flights by Natural England staff was under £750 in 2021/22. We have also updated our travel hierarchy which continues to state that lower carbon options must be considered first as an alternative to each planned flight.

B. Minimising waste and promoting resource efficiency

Headline target: Reduce the overall amount of waste generated by 15% from the 2017/18 baseline

Waste production 2021/22

Waste		2021/22	2020/21	2019/20	2018/9	2017/8	
Non-financial indicators (tonnes)	Hazardous waste	*	*	*	*	*	
	Non-hazardous waste	Landfill	0.5	0.2	1	2	2
		Recycled / reused	25.5	3.7	15	27	42
		Waste composted	0.57	0.3	1	1	2
	Incinerated with energy recovery	6.86	1	7	9	9	
Total waste arising	33	5.2	24	39	55		

The table above shows the absolute values in tonnes for waste for Natural England's share of the Defra estate from its administrative and operational actions. Total waste has increased from last year as offices are starting to be re-opened and occupied, but levels of total waste are already over 40% below the 2017/18 baseline and the amount of waste recycled is currently just over the 70% of overall waste target, set for 2025.

The sub-targets around total ICT waste recycled, reused, and recovered (externally), paper use and single use plastic elimination are reported at the Defra group level.

C. Reducing our Water Use

Headline target: Reduce water consumption by at least 8% from the 2017/18 baseline

The table below demonstrates both our estates water consumption in cubic meters and water used by our National Nature Reserves, as well as the total cost.

Water use and cost 2021/22

Water (Offices and NNRs)		2021/22	2020/21	20219/20	2018/19	2017/18
Non-financial indicators	Total water consumption m3	20757*	8189	3679	3705	2334
Financial indicators £'000s	Total water supply costs	29*	17	12	17	28

* including water use on NNRs

Water use varies considerably across the NNR estate, owing to their size and number of livestock. There are currently 65 separate NNR water accounts as some sites have more than one supply e.g., to both a workshop and an animal trough. The Ribble Estuary NNR has over 500 summer grazing cattle on the reserve from May to October, which swells the water bill considerably.

In order to encourage the efficient use of water on our NNRs we request regular meter readings from site staff to keep the bills in line with the usage and prevent too much over estimation. It also allows for spotting spikes in usage which may indicate a leak which needs investigating.

Water use figures from Defra for the built estate alone were again very low this year as staff have mainly worked from home for the vast majority of the time.

D. Procuring sustainable products and services

Headline commitment: Continue to buy more sustainable and efficient products and services with the aim of achieving the best long-term, overall value for money for society.

Sustainable procurement policy: The Natural England Sustainable Procurement Policy explains how Natural England will integrate environmental and social considerations into its procurement policies and practices. The policy is predominantly aimed at internal buyers and project managers.

Sustainability issues are part of the contract risk assessment process and procurement staff will work with project officers to complete a sustainable risk analysis and mitigate the identified risks.

Specifications include sustainability criteria, and tenders will be evaluated on the most economically advantageous tender, meaning that factors other than just price will be considered at the evaluation stage - such as life cycle analysis.

Sustainable Timber Procurement Policy: The UK Government timber procurement policy is a mandatory policy requiring departments in England to seek to procure wood and wood derived products from legal and sustainable sources.

Government buying standards and management of supply chain impacts: Natural England makes sure that they meet the minimum mandatory Government Buying Standards (GBS) standards when buying goods and services. Strict product specifications ensure sustainable procurement, the process whereby organisations meet their needs for goods,

services, works and utilities in a way that benefits not only the organisation, but also society and the economy, while minimising damage to the environment.

E. Nature and biodiversity action planning

Headline commitment: Making space for thriving plants and wildlife. Departments and partner organisations with the greatest potential to improve biodiversity should develop and deliver Nature Recovery Plans (NCPs) for their land, estates, development, and operations.

For Natural England's work on the Natural Capital Approach, please see Annex 2.

F. Adapting to climate change

Headline commitment: Develop an organisational Climate Change Adaptation Strategy across estates and operations. This headline commitment is broken down into two parts:

- Departments should conduct a Climate Change Risk Assessment across their estates and operations to better understand risk and to target areas that need greater resilience.
- Departments should develop a Climate Change Adaptation Action Plan, including existing or planned actions in response to the risks identified.

In December 2021, Natural England published its climate change risk assessment and adaptation plan; the third adaptation report Natural England has produced under the Climate Change Act. The report comprises an overarching risk assessment of climate change to Natural England's aims and objectives. Depending on future emission pathways we expect to see moderate to major impacts on our aims and objectives in the medium to long term. An outline of adaptation plans is provided for work areas across our six corporate programmes over the next five years. The report also outlines a number of themes in developing our organisational response to the biodiversity and climate crises in an integrated way.

G. Reducing environmental impacts from ICT and digital

Headline commitment: Departments should report on the adoption of the Greening Government: ICT & Digital Services Strategy and associated targets and ensure they provide membership to the Sustainable Technology Advice & Reporting team, who manage and deliver the Greening Government Commitments ICT reporting

Natural England's environmental impacts from ICT and digital are reported at the Defra Group level through DDTS and adhere to their ethical and environmental standards.

Natural capital: Evidence and decision making for people and nature (unaudited)

Introduction

Natural capital is the term we use to describe parts of the natural environment that produce benefits which society values, such as water, air, and trees. It can be used as a lens to consider the environment and help us make better decisions for nature and for people. It also gives us a way to value benefits provided by nature such as food production, flood mitigation, climate change mitigation and adaptation and health and wellbeing benefits. This can be done in a Natural Capital Account.

Natural England produced a natural capital account for its owned and managed National Nature Reserves in 2019 (Sunderland et al., 2019). Following this, a natural capital account was produced for the Tees Valley Combined Authority (Harle and Marsh, 2021). Both accounts were innovative in their approach, presenting the ecological evidence about the state of the ecosystems alongside evidence about the value of the benefits. Understanding the state of the ecosystems is important to know how sustainable their provision of benefits is, and to be able to make decisions about management.

A common issue with the production of robust natural capital assessments and accounts is a lack of regularly updated, openly available data and evidence about an ecosystems' quantity (how much), quality (how well it is functioning) and location (where it is), all in terms of the provision of benefits.

The Natural Capital and Ecosystem Assessment (NCEA) is an ambitious programme set up to improve the data and evidence that we have about our ecosystems and the benefits they provide. This programme will enable better management of our natural capital, transform the way we make decisions and policy and ensure we invest in environmental reforms that achieve maximum benefit. The NCEA is operating across England's land, seas, and freshwaters.

As part of the marine NCEA an innovative approach to natural capital accounting was explored. A natural capital account for the North Sea Sandeel fishery was created. The account tested a series of scenarios with changes in fishing effort to consider the potential changes in ecosystem benefits. The results from this account have since influenced policy and led to the English North Sea sandeel fishery being closed for 2022.

Natural Capital and Ecosystem Assessment

The NCEA was set up to improve the environmental data needed for understanding the state of our ecosystems, enhancing the evidence available for decision making, and ensuring the provision of accurate data for monitoring our progress towards nature recovery. Natural England leads the terrestrial component of the NCEA and is part of the consortium of organisations delivering the marine NCEA. The focus of the terrestrial NCEA

is to collect and analyse data to improve the evidence available about the quantity, quality and location of ecosystems and the benefits that they provide.

Specific projects include, producing Living England, a national habitat map, which has been created using machine learning, with inputs from satellite imagery, field data records and other geospatial data. As well as developing the England Ecosystem Survey, a programme of field surveys which will measure ecosystem quality to understand how naturally our ecosystems are functioning. This will include aspects of vegetation, ponds, soils, and landscapes. Additionally, the terrestrial NCEA will also create an England Peat Map providing critical evidence about the state of our peatlands, develop citizen science protocols and programmes to enable communities to get involved with collecting environmental data, support production of evidence on green infrastructure, and more. Similarly, the marine NCEA will enable a comprehensive monitoring programme of England's seas, including the seabed and water column, inshore and offshore areas, using innovative methods such as Earth Observations and autonomous vehicles. It will also develop tools and products so that data can be understood and used by a range of audiences.

When available, these data will have a range of uses, including, reporting on the 25 Year Environment Plan Indicators and the Environment Act targets, reporting on the UK Marine Strategy targets, providing data for Local Nature Recovery Strategies, as well as for planning and developing nature recovery projects and in national natural capital assessments or accounts.

<https://www.gov.uk/government/publications/natural-capital-and-ecosystem-assessment-programme/natural-capital-and-ecosystem-assessment-programme>

Developing a Natural Capital Account for the Sandeel Fishery

As a practical exploration of integrating ecological and economic evidence to influence marine policy decisions the North Sea Sandeel Natural Capital Account innovates by using modelled ecological data to populate an extended balance sheet for the North Sea Area IV and the impact of the industrial sandeel fishery.

Using the extended balance sheet approach (Sunderland et al., 2019) a baseline value of the benefits provided by the North Sea ecosystem was produced. We then applied a scenario analysis of different levels of fishing activity to measure the impact that changes to the activities of the industrial sandeel fishery could have on the natural capital assets, services, and benefits.

Key results from the preliminary Ecopath with Ecosim outputs showed that with a full closure of the sandeel fishery sandeel biomass increases by 40%, the biomass of fish that eat sandeels increases by 20% but fish that do not eat sandeels reduces by 4%. There is an upward trend in the biomass of marine mammals and seabirds, with a 42% increase in seabird population within the first 10 – 15 years of a closed fishery.

When we combined this data with economic data the overall value of the North Sea Area IV fish landings is worth £421 million more after 60 years than it would be if the sandeel fishery remained open. This combined with other benefits results in an increased value of 0.8% for the North Sea ecosystem. Furthermore, it is expected that the monetary value of the

unquantified benefits would be very large; this would include values for biodiversity, education, nature-based recreation, and equable climate.

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

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Should an alternative format of this publication be required, please contact our enquiries line for more information: 0300 060 3900 or email enquiries@naturalengland.org.uk.

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