



# Natural England

## Annual Report and Accounts

1 April 2022 to 31 March 2023

HC 17



# Natural England

Annual Report and Accounts  
1 April 2022 to 31 March 2023

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Natural Environment and Rural Communities Act 2006.

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

# Chair's foreword

## Reflection on the wider year and challenges

The challenges facing us as we seek to set Nature on a more sustainable path were very much highlighted in 2022-23 as war, wildfire and floods unfolded around the world.

In Ukraine we saw the destruction of people's homes and lives, agriculture, and vast tracts of Nature. This rippled out into shortages of grain, fertiliser and energy, a price felt in everyone's pocket. It also prompted debates about whether the UK's food production should be prioritised over protecting and restoring Nature – where we have continued to make the case that, food security cannot be achieved while Nature continues to decline.



Tony Juniper. Photo Credit: Graham Tibbetts

While Pakistan was hit by a catastrophic flood, Europe and the Americas saw huge areas devastated by fire, a graphic reminder that climate change and biodiversity loss are closely interwoven.

However, amid this global turbulence there were very positive international developments too, which I hope will prove to be transformative. At the United Nations Biodiversity Conference (COP 15) in Canada almost 200 countries agreed a set of landmark pledges that demonstrate virtually all the world's governments now share our commitments to halt and reverse biodiversity loss - and protect 30% of land and oceans - by 2030.

The UK government was a leading light in achieving this breakthrough and during the conference published legally binding environmental targets. Its new Environmental Improvement Plan (EIP) followed, providing a roadmap to guide us towards these targets over the next five years.

With these international and domestic targets giving us impetus, what is needed now is implementation via a concerted effort across government and society, so that together we can pass on Nature in a better state to future generations. The public's understanding of the importance of Nature is growing – demonstrated by the huge interest generated by the BBC's Wild Isles series – and they will hold us to account on the delivery of environmental ambitions.

## Natural England's evolving role

Natural England has played a central role in the development of the EIP, and we will be at the forefront of work to implement it, using our existing relationships with partners and building new ones to ensure that this is the decade we halt the decline in Nature.

Some of our longest partnerships are with farmers and land managers. We want to build on these existing alliances – both parties working together to benefit Nature and agriculture – but the outcomes may need to change in certain cases. Holding on to the Nature we have has been a valuable approach in the past but now, with partners, we are in the process of restoring it across the country so that declines of species and habitat can be halted and then reversed.

Farming is central to that work but, for an industry drawing on experience and traditions that may stretch back generations, there will be understandable concerns about what that looks like at ground level. We have seen those surface this year in discussions relating to Sites of Special Scientific Interest in Dartmoor and Cornwall.

Adapting to the national need to have healthy, sustainable Nature underpinning our economy and society will take time and effort. We pledge to use our relationships with farmers, as well as the emerging benefits of the Environmental Land Management Scheme (ELMS) and other funds, to help them secure the advances needed for Nature alongside productive and sustainable farm businesses.

Despite the considerable uncertainties surrounding short-term costs and longer-term business planning, a good number of farmers and land managers have been able to make huge strides in supporting Nature recovery. This year I've had the pleasure of seeing first-hand the transformative work carried out by Cumbrian hill farmers to support the new National Nature Reserve, Wild Ennerdale, not to mention the concerted effort of more than 100 farmers to restore river-dependent biodiversity and water quality through the North-East Cotswolds Farmer Cluster.

There has been a similar drive for improved environmental outcomes in the development sector, which is particularly relevant, in light of the need for more homes and associated infrastructure to support the growing population, as well as the need for more renewable energy – especially off-shore wind – following the energy crisis linked to Russia's invasion of Ukraine.

Natural England's role is to ensure that the potential environmental aspects are fully factored into the planning and decision-making process, thus helping to secure sustainable development. This enables us to have fruitful conversations with planners and developers which not only help protect existing habitats but, where possible, contribute to Nature recovery.

In 2022-23, working with Defra and the Department for Levelling Up, Housing and Communities, we continued to develop the guidance and support package for planners and developers in response to the ongoing deterioration of protected Nature sites caused by water pollution. Taking steps to follow the legislation inevitably led to some delays in places where demand for new housing was high, but with support from government we were able to develop an improved nutrient mitigation scheme. This removed some of the barriers to new homes in certain places, helping to ensure that they can be built in a sustainable way that supports beautiful, healthy Nature nearby.

This year the Government has confirmed that Biodiversity Net Gain (BNG) will be mandatory for most new developments when implemented in 2024, providing Natural England with further opportunities to work with the planning sector to put Nature recovery at the heart of development and regeneration.

Many businesses and communities are already well on the way in this regard, and I have seen a number of inspiring examples. Teesside is a place where there is demand for thousands of new houses and plans to develop a freeport, yet it is also where a range of ambitious partners – supported by Natural England – are helping to restore wetlands and attract increasing numbers of waders and seals. This approach highlights the benefits of making Nature recovery central to economic recovery and shows how we can take the steps needed to reach the Government's stretching targets.

## **Natural England Board**

During 2022-23 the Board maintained its focus on Nature recovery and enabling Natural England's workforce – our biggest asset – to be in the best possible shape to deliver that. This included placing great emphasis on efforts to improve pay and conditions and driving the development of a new Health and Safety Strategy. Our staff's dedication in continuing to deliver despite cost of living pressures is outstanding and fully recognised by the Board.

We refreshed our Board with three new members in March and April 2023.

## **Ambition for 2023-24**

With the EIP and the environmental targets giving clear direction to our work, and the Environment, Agriculture and Fisheries Acts giving us the tools, our focus next year and beyond will be delivering on Nature recovery to establish the trajectory towards those targets. We plan to strengthen our delivery through our place-based working agenda so that we are putting people at the heart of Nature recovery.

As the Environmental Land Management scheme is rolled out, we will be working closely with farmers and land managers to help them receive the financial support and conservation advice that will ensure their businesses are on a productive and sustainable footing, enabling them to make a significant contribution to hitting our environmental targets.

Tony Juniper CBE

Chair  
Natural England



# Chief Executive's statement

## Where Natural England was at the start of 2022-23

Natural England set high ambitions for 2022-23, capitalising on a stronger policy framework, increased resources, and new initiatives to achieve our vision of thriving nature for people and planet. The publication of the Environmental Improvement Plan (EIP) in January reaffirmed those ambitions and confirmed Natural England's part in delivering Government's commitments to nature recovery.



Marian Spain. Photo credit: Joshua Snape.

We started the year with increased budget (up by £66.4m) which enabled us to boost capacity, with 469 new staff joining over the year, and provided the capability for new work through training and development. The lifting of Covid restrictions meant our staff could reconnect, getting back into offices and revitalising the partnerships essential to all our work.

### How has it felt through the year

There has been a growing confidence in Natural England, with the adoption of the Kunming-Montreal Global Biodiversity Framework at COP15, followed quickly by the publication of the EIP and enactment of statutory targets for species. Increased public support for nature has also been shown with more businesses asking us how they can invest in nature and with more farmers seeking our help on the new government incentives, as well as private finance for land use change.

Building partnerships remains at the core of our mission, which is reflected throughout this report. In particular, new strategic solutions to mitigate the impact of development on nature has led to cross-sector partnerships which support economic growth, streamline process and build nature recovery into development from the start. We have also been gearing up for new responsibilities, such as supporting developers to deliver Biodiversity Net Gain.

New staff from a wide range of backgrounds have brought innovation, helping us advance areas of work like satellite image analysis and the use of artificial intelligence to transform our understanding of the state of nature across England in ways that were not possible before. With growth and change comes the need for our teams to adapt their ways of working. We placed a leadership focus on Health, Safety and Wellbeing, with tools and guidance for managers, discussions led from all levels, and a full central team supporting staff and managers.

### What we achieved

People across Natural England collaborated to recover nature at landscape scale. I particularly want to highlight the long-term commitment from our staff and partners that was needed to secure large-scale improvements. We saw a great example of that in November when we celebrated the declaration of Wild Ennerdale National Nature Reserve (NNR), which covers 3,030 hectares and marking over 20 years of joint working to restore the valley. Other achievements included:

- Launching six large-scale Nature Recovery Projects as part of the Nature Recovery Network (NRN) Partnership which now has 619 members,
- Making five National Nature Reserve declarations and designating a new Site of Special Scientific Interest (SSSI) which together mean over 6,000 ha more land is protected and managed for nature,

- Supporting nearly 7,000 farmers to enter or renew agri-environment agreements and signing up the first 11 Landscape Recovery Pilots,
- Evidence and advice which enabled designation of three Highly Protected Marine Areas, byelaws to protect four offshore Marine Protected Areas (MPAs) and six Fishery Management Plans,
- Projects to better understand and enable nature-based solutions to climate change, including planting sea grass off Plymouth Sound and restoring peat in upland and lowland areas,
- Delivering 6,600 Green Social Prescriptions, using nature to improve health and reducing costs to the National Health Service,
- Mapping all available green space in England and its proximity to people to identify the places where people do not have easy access,
- Opening a further 277 miles of the King Charles III England Coast Path and successfully proposing the Coast-to-Coast Path for approval as a new National Trail.

We also used our evidence and expertise to advise government on a range of new policies, from guidance for Local Nature Recovery Strategies (LNRS), through the design of the Environmental Land Management Scheme to a consultation to end fishing for sand eels.

And we prepared for the future through investment in information technology (IT), digital solutions and our scientific evidence base. For example, our contribution to Defra's Natural Capital Ecosystem Assessment programme will deliver a comprehensive assessment of the overall state of our environment and help its recovery.

### **Some of the risks we tried to manage**

As with last year, many of our risks were related to people. We welcomed large numbers of new starters and had to enable time for training while continuing to deliver. This at times increased the demands on our existing staff and we saw increased reporting of work-related stress.

Pay continued to be a concern, with the growing cost of living affecting staff engagement. Strike action was taken by 833 members across two Trade Unions in February, with continued action planned into the following financial year. In response, we embarked on a pay reform project and strengthened relations with Trade Union colleagues who are working with us on a pay flexibility case and a new staff framework to ensure all staff are at the right grade for the work they do.

We have not yet achieved a marked improvement in the diversity of our workforce. Our Equality, Diversity and Inclusion action plan focussed on encouraging job applications from a wider pool, training managers and making sure we understand the lived experiences of Natural England staff, for example through Listening Circles. We're also working across the environmental sector to remove barriers to entry to careers in nature.

We increased numbers of staff working on enabling functions to support our growing requirements and focussed on key relationships to improve the corporate services received from Defra, including faster and simpler procurement of the goods and services we need.

We have made the case for nature to politicians and other decision makers, for example through formal evidence at Committees and through speeches, events, and media coverage, supported by new national and local external affairs teams.

Finally, we have sought to improve integration of our work with others in Defra, for example the Environment Agency and Forestry Commission, so we are able to align our work in places and streamline the services we offer.

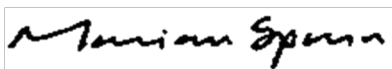
## What we look forward to

I am proud that we ended the year with a bigger, stronger team and a better resourced Natural England who achieve more and more for nature.

As I write now, the current world we are operating in still holds the previous challenges we faced, for example the cost of living pressures, with increased focus on how we work together to manage the practical implications of the changes needed to avoid disaster. The urgency of doing so is highlighted as we see the dramatic consequences of the climate crisis playing out in real time, with wildfires and soaring temperatures being seen across the globe. But at the same time, we see the need for more housing and more infrastructure such as offshore wind which brings a growing challenge of building in a way that doesn't irrevocably damage the environment, and the pressures of change in income through the agricultural transition being felt by the farmers who we also need to deliver more for nature.

The achievements of 2022-23, and the imperative of the nature recovery task ahead, has given us the clarity needed to set ambitious new delivery goals for Natural England, aligned to new statutory targets for nature. We are looking forward to:

- Growing the number of partners joining the Nature Recovery Network and new Nature Recovery Projects'
- Wider collaboration at local levels through Local Nature Recovery strategies (LNRS)
- Establishing more partnerships with landowners and farmers through the Environmental Land Management Scheme (ELMS),
- The final stages of the King Charles III England Coast path will be established, linking 2,700 miles of this continuous national trail for the public to enjoy,
- More National Nature Reserves to mark the Coronation, with the first of the King's Series of Nature Reserves on the Lincolnshire coast,
- Supporting developers to deliver Biodiversity Net Gain (BNG) and create homes in places rich in nature.



Marian Spain

Chief Executive  
Natural England

27 November 2023

# Performance report -

**provides information about Natural England, its main objectives and strategies and the principal risks it faces;**

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 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. Our apex goal to improve nature is to halt the decline in our biodiversity so we can achieve thriving plants and wildlife. All our other goals support achieving this (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 first refresh of the 25YEP, known as the [Environmental Improvement Plan \(EIP23\)](#), was launched in January 2023. Building on the vision set out five years ago in the 25YEP with new powers and duties from the Environment Act, Agriculture Act and Fisheries Act, it provides a comprehensive delivery plan for halting and then reversing the decline in nature. Framed around the statutory targets published in December 2022, it sets out the Government's ambition for the next five years and beyond.

The 25YEP set out 10 goals:

- Goal 1: Thriving plants and wildlife
- Goal 2: Clean air
- Goal 3: Clean and plentiful water
- Goal 4: Managing exposure to chemicals and pesticides
- Goal 5: Maximise our resources, minimise our waste
- Goal 6: Using resources from nature sustainably
- Goal 7: Mitigating and adapting to climate change
- Goal 8: Reduced risk of harm from environmental hazards
- Goal 9: Enhancing biosecurity
- Goal 10: Enhanced beauty, heritage, and engagement with the natural environment

The EIP23 sets out the progress made against all ten overarching goals, the specific targets and commitments made in relation to each goal, and our plan to continue to deliver these targets.

Natural England as a Non-Departmental Public Body (NDPB) sponsored by Defra 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.

## 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 assurance on risk management, governance, and internal control

The Board is appointed by the Secretary of State and is made up of a Chair and twelve members. Details of the Board and Senior Leadership team are included in the governance statement (page 42) and remuneration report (page 50).

## 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 25YEP. Our [Action Plan](#) for the financial year 2022-23 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 25YEP 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 25YEP in line with the Defra group outcome framework.

Natural England Strategy	
<b>Vision</b>	Thriving nature for people and planet
<b>Mission</b>	Building partnerships for nature's recovery
<b>Five-year aims</b>	1 <b>Well managed nature recovery networks</b> across land, water and sea delivering resilient ecosystems rich in wildlife and character, enjoyed by people, and widely benefitting society.
	2 <b>People connected to the natural environment</b> for their own and society's wellbeing, enjoyment, and prosperity.
	3 <b>Nature based solutions</b> contributing fully to tackling the climate change challenge and wider environmental hazards and threats.
	4 <b>Improvements in natural capital</b> underpinning sustainable economic growth, healthy food systems and prospering communities.
	5 <b>Evidence and expertise</b> are used by a broad range of partnerships, organisations, and communities to achieve nature recovery and enable effective regulation and accreditation.
	6 <b>A values-led organisation</b> which delivers excellent service standards to all partners, organisations and communities engaged in achieving nature's recovery.
<b>Strategic Programmes</b>	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 our refreshed set of six outcome-driven cross-cutting Key Performance Indicators (KPIs); and below these an annual suite of in-year delivery Progress Indicators (PIs). We monitored our 2022-23 delivery performance through this suite of 19 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. 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 16 of our 19 in-year PIs being rated either Green or Amber-Green and 3 rated Amber-Red or Red.

This performance across our 19 PIs reflects a positive year, particularly in the context of significant and rapid growth and large recruitment intakes. 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.

### 2022-23 performance highlights

Across a broad and detailed set of commissions our teams have delivered outcomes as demonstrated in our PIs. In our core work areas and work to embed newer tools for the future we have seen successes detailed below:

**PI01 Nature Recovery Network:** We have now secured commitments for 168,000 hectares of wildlife rich habitat across England, exceeding our target of 150,000 hectares. This includes commitments from Areas of Outstanding Natural Beauty (AONBs), our National Nature Reserves (NNRs), our Nature Recovery Projects, and our local partnership work.

**PI02 SSSIs in Favourable Condition:** On Site of Special Scientific Interest (SSSI) monitoring, we delivered 3,851 feature assessments against a target of 2,000, informing action required to maintain or bring sites into favourable condition. All five Protected Sites Strategies Pilots are also underway.

**PI05 Agri-environment Schemes:** All Countryside Stewardship Higher Tier delivery applications and 99.3% of Higher-Level Stewardship (HLS) extensions now completed. This will deliver or enable a wide variety of outcomes for nature across a range of habitats and priority species.

**PI08 Green Infrastructure:** We launched the Green Infrastructure Framework in January 2023. The standards, tools and mapping enabled inclusion of a headline commitment that everyone should live within 15 minutes' walk of a green or blue space to be incorporated in the Environmental Improvement Plan.



**PI09 Green Social Prescribing (GSP):** Over 6,600 prescriptions issued through our role on the cross-government Green Social prescribing programme.

**PI10 Local Nature Recovery Strategies (LNRs):** Although LNRs Regulations and Statutory Guidance arrived later than envisaged, comprehensive cross-Defra project plans are in place for the next phase and our LNRs data portal is now ready for publication.

### Performance exceptions

**PI03 Marine Protected Areas:** Marine condition assessments were completed for only 18 features, against a target of 100 features. This was the outcome of a conscious choice to prioritise high risk marine (offshore wind) casework due to the demand and impacts on marine nature, exacerbated by the sustained challenge of attracting the highly specialised marine skills we need.

**PI13 Biodiversity Net Gain:** 47 hectares of habitat improvement counting towards this 200 hectare target was secured.

**PI16 Engagement, Diversity, Inclusion and Wellbeing:** The Employee Engagement Index KPI in the latest pulse survey (March 2023) was 62.4% against a target of 65%, down 0.7% from February 2022. When asked in the same pulse survey if 'Natural England cares about my wellbeing' the positive survey response was 72.6%. This is 7.4% below the target of 80%, and 3.8% down on the results in February 2022. Actions being taken include a refresh of the Equality, Diversity and Inclusion (EDI) Action Plan and an extensive package of disability inclusion measures including a new Workplace Adjustments policy.

### Natural England Performance Outturn 2022-23

2022/23 YEAR-END OUTTURN PROGRESS INDICATOR REPORTING DASHBOARD			
2022/23 Progress Indicators	Year-End Outturn	2022/23 Progress Indicators	Year-End Outturn
01) Nature Recovery Network	G	11) Strategic Plans for Places	AG
02) SSSIs in Favourable Condition	G	12) Green Strategic Solutions	G
03) Marine Protected Areas	R	13) Biodiversity Net Gain	AR
04) Landscape Designations	AG	14) Natural Capital Ecosystem Assessments	AG
05) Current Agri-environment Schemes	G	15) Customer Service Standards	G
06) Protected Species	AG	16) Engagement, Diversity, Inclusion and Wellbeing	AR
07) Species Recovery Programme	G	17) Health & Safety	AG
08) Green Infrastructure	G	18) Our Carbon Footprint	AG
09) Social Prescribing	G	19) Ethnic Minority Inclusion	AG
10) Local Nature Recovery Strategies	G		

## Risk summary

Over 2022-23 Natural England managed a range of corporate risks, which can be threats, opportunities or uncertainties and had the potential to impact upon delivery of the 2022-23 Action Plan and thereby on the organisation's ability to meet its strategic objectives.

The corporate risks outlined below represent those as having the greatest potential to affect the delivery of our outcomes that were managed at Board level.

### 1. Arm's length body (ALB) Reform

For Natural England to remain at the forefront of delivering environmental outcomes, it is crucial to work closely with Defra and its ALBs to continually seek delivery improvements amongst wider change proposals. There is an opportunity for Natural England to ensure that its impact and influence remains effective and progress against targets secured if we can realise the benefits of greater collaboration.

### 2. External influence and partnership working

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

We need to be responsive to external factors that affect those with whom we work, such as the policy for an agricultural transition. This means it is as important as ever that we have good quality early engagement embedded across all our work, accessing established relationships with key stakeholders to realise opportunities and mitigate risks where we are taking action that might be contentious.

### 3. Geo-political landscape

Natural England, and nature, does not exist in a vacuum and events in the global community influence choices at home and abroad. During 2022 and into 2023 significant global events such as war in Europe and the effects of climate change have had real world impact at home as people make choices for example about energy supplies and food security. Ensuring that Natural England is alert to and responsive to the domestic implications of such global events on Natural England's mission is a key risk that was managed during the reporting year.

### 4. Natural England evidence base

We cannot make the best decisions for nature recovery without the right evidence. This means that the evidence is accessible, usable and understood by staff. If we do not use the best evidence, Natural England will not be successful in its objectives, will not provide value for money, and will not be robust against legal challenge.

### 5. Digital security

Increasingly sophisticated cyber-attacks (especially from Russia given the current political climate) and other security incidents are an ongoing and evolving risk to the organisation's safe operation.

### 6. People capability

We will be unable to fully meet our objectives to build partnerships for nature's recovery if we do not have a fully capable workforce. We need to think strategically about our future capability needs, noting especially large numbers of new joiners and invest in our skills, especially where we

cannot always compete in the labour market. A lack of diversity and inclusion in some areas impacts our ability to engage and workload stress can impact effectiveness and productivity.

#### 7. Financial probity

The Government's Public Accounts Committee (PAC) has recently focused on forecasting across Government and expressed concerns over the accuracy of this. There is a risk that Natural England is unable to demonstrate probity of budget spend, due to an inability to highlight effective spending decisions/value for money, and not having sufficient resource, staff capability and controls to give financial assurance. This could result in Natural England being unable to maximise its delivery impact, as well as reputational damage if spend is scrutinised that we can't effectively evidence.

#### 8. Keeping people safe

Natural England strives to ensure the health, safety and wellbeing of our staff, volunteers, contractors and visitors that are affected by the activities we undertake for nature recovery. There is a risk that if health and safety risks are improperly managed this could significantly impact delivery of environmental outcomes and could have legal and reputational impact.

#### 9. Managing the organisation (MTO) and corporate services pressures

As the organisation has grown over the last three years, both in terms of budget and staff resource, there is a risk that Natural England and the Defra group Corporate Services, on which we rely, are not able to effectively operate due to an insufficient capability and capacity in the enabling functions that support delivery of our outcomes.

#### 10. Natural England's delivery of targets and outcomes

For Natural England to be seen as a leader in securing environmental outcomes with our partners, it is crucial that we achieve our in-year delivery targets. If we cannot demonstrate our delivery performance, there is a risk that key stakeholders may lose confidence in us, which would reduce our delivery opportunities and diminish our reputation.

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 42) for further context.

# Performance and risk analysis

## Our 2022-23 Performance Indicators

<b>1: Nature Recovery Network</b> A growing set of national and local partners and partnerships, actively supporting the growth of the Nature Recovery Network (NRN)	
1. New commitments made by partners to deliver 150,000 hectares of wildlife rich habitat supporting delivery of the Nature Recovery Network 2. Twelve landscape scale areas for nature recovery and nature-based solutions have been identified with plans in place for delivery	Green
We secured almost 170,000 hectares of commitments to creating/restoring habitat that supports the Nature Recovery Network. The majority comes from a subset of 13 AONBs whose Nature Recovery plans are sufficiently developed to assure likely delivery. The rest comes from a combination of Nature Recovery Projects; National Nature Reserves; other Natural England Area Team projects; and other specific NRN partner projects. Twelve large scale, partnership based (>5,000 ha), Nature Recovery Projects are now master planning to clarify their long-term ambitions and develop funding plans using both public and private sources.	
<b>2: SSSIs in Favourable Condition</b> Improve confidence in our Sites of Special Scientific Interest (SSSIs) data and information to support delivery of the 25 Year Environment Plan goal to get 75 per cent of SSSIs into favourable condition	
a) Update 2,000 features at a unit scale with a Common Standards Monitoring (CSM) compliant assessment b) Complete 5 Protected Site Strategy pilots by March 2023	Green
Natural England completed our programme of condition assessments, delivering almost double the original target of 2,000 features at a unit scale. As we move towards assessing the condition of features at a site rather than unit level, we now have high confidence in a further four per cent of features overall. All five planned Protected Sites Strategy pilots are now underway. Protected Site Strategies will play an important part in our aims to address on and offsite pressures on protected sites.	
<b>3: Marine Protected Areas</b> Natural England's marine advice and regulation is driving Good Environmental Status (GES) across our Marine Protected Area network and wider seas	
a) 100 marine condition assessments delivered by Area Teams by March 2023 b) Complete the current phase of England Sea Bird Conservation Work with a technical report and recommendations to Defra	Red
Maintaining the highly specialised marine skills to deliver this work has been extremely challenging and led to reduced delivery capacity across our work. We took the decision to prioritise high risk marine casework such as offshore wind which was a more urgent policy priority this year. As a result, we only completed assessments for 18 of the target of 100 features. Natural England has produced a vulnerability assessment and technical recommendations to inform the English Seabird Conservation and Recovery Pathway, which sets out actions to address pressures faced by 36 species of seabirds. This will be published by Defra in due course.	

<b>4: Landscape Designations</b> <b>New Landscape Designations programme approved and being implemented</b>	
a) Deliver the new designations programme as agreed by Natural England Board, (4 AONB designations, 2 new and 2 extensions) b) Identify alternative landscape approach(es), agree priority areas to test (building on the results of the All-England Strategic Landscape Mapping Assessment) and begin testing	Amber Green
The statutory public consultation on the proposed Surrey Hills AONB Boundary Variation was launched. The Chilterns AONB variations are in the detailed assessment and technical consultation phases. The proposed Yorkshire Wolds AONB Designation Assessment is underway, and the proposed Cheshire Sandstone Ridge AONB assessment is ready to start. Looking at alternative approaches and priority areas, the Land Use Consultants report in March 2023 provided further analysis of the All-England Strategic Landscape Mapping tool to guide us on where we could focus our designations programme next.	
<b>5. Current Agri-Environment Schemes</b> <b>The area of land in current agri-environment schemes is maintained and contributes to net zero and 25-Year Environment Plan goals</b>	
1. Undertake technical assessment of all eligible Countryside Stewardship Higher Tier applications (circa 450), suitability for up to 2,240 HLS agreement 2. Develop the highest scoring Countryside Stewardship Higher Tier applications with the applicant	Green
We delivered all 380 Countryside Stewardship Higher Tier (CSHT) applications and 99.3 per cent (2,396/2,412 cases) of Higher-Level Stewardship (HLS) extensions. We received 480 applications which was higher than our estimate. 100 applications were rejected for not meeting the scoring threshold or were withdrawn by applicants if an unforeseen issue was encountered such as higher capital costs than expected or missing permissions.	
<b>6. Protected Species</b> <b>Licensing improves the conservation status of protected species</b>	
1. Create/restore a minimum of 1,000 ponds for Great Crested Newts through District Level Licencing in 2022-23	Amber Green
We created/restored 771 ponds this year which equates to £4.3m invested in suitable Great Crested Newt (GCN) habitat across England, and also providing wider wildlife benefits. Whilst this is below the target of 1,000 ponds, largely a result of inclement weather during the autumn, we were able to deliver enough ponds in each area to match the number of licenses issued and ensure that ponds were targeted in locations that secured the greatest environmental benefit.	
<b>7. Species Recovery Programme</b> <b>Increase in the number of species benefiting from recovery projects</b>	
1. From the baseline, we will increase the number of species benefitting from species recovery projects under the Species Recovery Programme	Green
The Species Recovery Programme targeted 215 species across 93 projects in 2022-23, a significant increase in species recovery effort on the previous year. The Programme spent over 3 times what it was able to spend in 2021-22. Projects have ranged from small-scale projects such as the York Groundsel reintroduction which has seen a previously extinct species return to England, to large scale solution trialling such as Turtle Dove recovery which saw the RSPB work with 257 landholdings, covering 45,573 hectares, working to trial management interventions for a critically endangered species.	

<b>8. Green Infrastructure</b> An increasing proportion of people (adults and children) have access to good quality natural green spaces close to home	
1. Using the Green Infrastructure framework, engage with 20 local authorities to support levelling up access to nature in areas of greatest need (or highest deprivation)	Green
We launched the Green Infrastructure Framework in January 2023. The tools and mapping resonated well across Government, and enabled inclusion of a headline commitment that everyone should live within 15 minutes' walk of a green or blue space in the Environmental Improvement Plan. At least 50 local authorities are engaged in embedding the Green Infrastructure Framework into their Strategic Local Plan policies and LNRS to deliver multiple benefits for communities, the local economy and the environment.	
<b>9. Green Social Prescribing</b> Nature is embedded in Social Prescribing National Delivery Model	
1. Issue over 1,000 green social prescriptions, reported through the Green Social Prescribing projects	Green
Over 6,000 green social prescriptions have been issued this year through a £5.77m cross-government multi-partner programme to Tackle and Prevent Mental Ill-health. All seven pilots have secured ongoing funding locally, and our place-based teams will now embed Green Social Prescribing into our health and environment work, working with our national partners to integrate it into healthcare pathways.	
<b>10. Local Nature Recovery Strategies</b> Local Nature Recovery Strategies developed to deliver more for nature and the public's connection with it	
1. 48 Responsible Authorities supported with evidence and expertise to develop Local Nature Recovery Strategies (LNRS) in line with secondary legislation and published statutory guidance	Green
Regulations and Guidance have been published following 18 months of development with emphasis on planning for multiple outcomes for nature, species and improving access to nature. The Responsible Authority portal has also launched, enabling communication and collaboration on platforms we administer. Further guidance to Responsible Authorities will enable the production of ambitious LNRSs, including species guidance to maximise contribution to the Environmental Act apex target; and agreement is in place to work across the Defra group to support the next phase of LNRS development.	
<b>11. Strategic Plans for Places</b> Nature recovery is accelerated through Natural England's provision of integrated advice to key partners on their strategic plans for places	
1. Deliver integrated advice offer in all 12 Area Teams and develop 6 accelerated place-based exemplars	Amber Green
We are utilising relevant new resource (green infrastructure, strategic plans, strategic solutions, biodiversity net gain and local nature recovery strategy) to help shape our move towards a more strategic place-based approach to delivery. We are firmly committed to group engagement with partners to help shape local policy and bespoke engagement with key projects.	

<b>12. Green Strategic Solutions</b> Develop strategic solutions to deliver better outcomes for nature from development	
a) Up to 25 Local Planning Authorities (LPAs) have a local plan policy or locally agreed mechanism in place (or agreed) to support the implementation of a strategic solution b) Progress in implementing strategic solutions to support the acceleration of offshore wind	Green
Nutrient Mitigation Scheme launched this year with a first tranche of mitigation credits made available for developers. Progress has also been made towards securing nutrient neutrality solutions through other providers such as LPAs. Strategic solutions for offshore wind are well progressed with success in influencing environmental design standards, evidence being developed for benthic mitigation and significant input to the development of a strategic compensation programme.	
<b>13. Biodiversity Net Gain</b> Biodiversity Net Gain contributes to nature recovery	
1. Identify and plan 200 hectares of sites for net gain credits	Amber Red
The context for this target changed in-year, with Defra advising that the phrasing in the Environment Act does not allow Natural England to secure habitat delivery ahead of the sale of Net Gain Credits. We jointly agreed not to pursue further habitat improvement before day one of mandatory requirements in January 2024.	
<b>14. Natural Capital Ecosystem Assessments (NCEA)</b> NCEA Programmes will develop and pilot a range of techniques to gather quality data on the location of natural capital assets on land and at sea and improve decision making using natural capital approaches	
a) Terrestrial NCEA - Deliver the five agreed projects in line with project plans milestones to end of March 2023 this includes publishing version 1.2 of the Green Infrastructure Mapping tool and starting soils field data collection b) Marine NCEA – Deliver the agreed projects by end of March 2023; including data collection and reporting on marine birds, fish, cetaceans and benthic habitats, and development of new approaches for application of natural capital in place-based decision making	Amber Green
Natural England redrafted our two metrics under this Progress Indicator in-year to draw out the distinction between our terrestrial and marine work. We have had some notable terrestrial NCEA successes with the publication of important datasets such as the Green Infrastructure Mapping Portal, an updated Priority Habitat Inventory and a botanical heat map developed with the Botanical Society of Britain and Ireland. The marine NCEA completed projects on benthic habitats, birds and fish, strengthening evidence relating to marine natural capital.	
<b>15: Customer Service Standards</b> A high-quality service to our customers and meet our response obligations	
1. 80 per cent of statutory casework delivered within published timescales	Green
The three areas assessed under this metric of Protected Sites, Planning and Licensing have consistently performed over the 80 per cent target with our published response times being 88.4 per cent for Protected Sites Consents, Assents and Advice, 83.9 per cent for Planning Consultations, and 80 per cent for Licensing. We are making further improvements to our services, including for example, wider roll out of the Bat Earned Recognition Scheme.	

<b>16: Engagement Diversity, Inclusion and Wellbeing</b> Improvements in key areas of engagement, diversity, inclusion and wellbeing	
a) Employee engagement index rises to 65 per cent to exceed 2021 benchmark b) 80 per cent of staff respond positively to 'I believe my organisation cares about my wellbeing'	<b>Amber Red</b>
The Employee Engagement Index in our latest 'pulse' survey in March 2023 was 62.4 per cent, down 0.7 per cent on the results in February 2022 and below our 65 per cent target (increased from 62 per cent in 2022). The metric relating to wellbeing ('Natural England cares about my wellbeing') in March 2023 was 72.6 per cent, down 3.8 per cent on the results in February 2022 and 7.4 per cent below our 80 per cent target.	
<b>17: Health and Safety</b> We provide and maintain a safe working environment, work practices, equipment and facilities	
a) Improve our Near Hit ratio by 10% based on 2021-22 performance b) 5% improvement (based on 2021-22) on the number of investigations completed within 10 days	<b>Amber Green</b>
We surpassed our target to improve our Near Hits (incidents with the potential to cause harm) ratio against Accidents (an incident that has caused harm) by more than 10 per cent as we continue to enhance our level of Near Hit reporting. Although the percentage of our investigations completed within 10 days improved by 1 per cent from last year, we did not meet our 5 per cent target. We are considering how to improve the timeliness of investigations.	
<b>18: Our Carbon Footprint</b> We have a good understanding of our entire carbon footprint and have agreed long-term steps to make further reductions	
1. Measure, monitor and report emissions data to help identify and evaluate where our decarbonisation efforts will have the greatest impact (informed by our 2019-20 baseline)	<b>Amber Green</b>
The Defra group Sustainability Strategy was published in March 2023, with input from Natural England and provides plenty for us to build upon as future Action Plans emerge. The strategy also supports our plan to deliver nature recovery in a climate sensitive manner. Our work continues to deliver carbon accounting best practice.	
<b>19: Ethnic Minority Inclusion</b> Natural England is working inclusively and staff body is representative of society	
1. Increase the percentage of Natural England staff from ethnic minority backgrounds	<b>Amber Green</b>
10.5 per cent of the working population in the UK identify as being of minority race & ethnicity background. The Natural England workforce in this category is 3.25 per cent, having risen from 3.0 per cent in April 2022. We have a range of plans and measures in place to continue action on this long-term challenge, aimed at recruitment, progression, retention and improving our knowledge and insight.	



## Analysis of our risks 2022-23

This section outlines Natural England's principal corporate risks, which can be threats, opportunities or uncertainties and have the potential to impact upon 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. Arm's length body (ALB) reform

Working with key stakeholders such as Defra and its ALBs is vital for Natural England to be able to get the best outcomes for nature. To maintain our influence as an organisation that advocates for the environment, our Executive Committee has collaborated with other ALBs to provide key information and evidence so we can effectively collaborate and build partnerships. We are working with ALB colleagues on many aspects of change so we can reduce barriers and enable more joined-up delivery.

### 2. External influence and partnership working

We have continued to build our capability around external engagement so we can effectively collaborate with others. Throughout 2022-23, we have undertaken work to embed consistent and quality engagement standards throughout the business so we can ensure valuable and meaningful communications. Coupled with this, we have recruited new external affairs advisers to support the building of effective relationships with stakeholders at the local and national levels. This is crucial so that we can maintain our brand and reputation as an organisation that provides quality ecological advice and effectively advocates for the natural environment.

### 3. Geo-political landscape

Although there have been a number of external pressures throughout the previous year, we continue to remain flexible in our approach to environmental delivery so we can take advantage of emerging ecological opportunities.

To ensure that nature recovery does not lose out amongst wider pressures (for example energy and cost of living), we have continued to make a case for the environment to our partner bodies and in providing government advice, to highlight how maintaining a healthy natural environment can help alleviate the wider pressures that the country is facing e.g. securing our source of food, and investing in renewable energy. We will continue this message to ensure that nature recovery stays at the forefront of the government agenda amongst wider pressures.

### 4. Our evidence base

It is vital that we have a secure evidence base to confirm that the right decisions are provided to support nature recovery. Over the past year we continued with activities to improve the evidence we collect or generate (e.g. monitoring and surveys), improving the breadth and quality of scientific advice, and bringing online new digital systems for data sharing and analysis. This is strategically aligned to our 'Science, Evidence and Evaluation Strategy.' We are also working closely and collaboratively with others in the public sector and academic partners. This increases our resilience through being part of research networks, our awareness of innovative methods and new results and facilitates knowledge sharing to drive better outcomes.

## 5. Digital security

Cyber-attacks are becoming ever more sophisticated therefore Natural England is remaining vigilant and taking appropriate mitigation to safeguard from cyber threats.

To manage risks in this area we have continued thorough assessments of our legacy IT to confirm delivery can be safely maintained and that our systems are not susceptible to cyber-attacks.

Additionally, we have briefed all staff so that they are aware of cyber-security protocols. Digital security training is a mandatory requirement for all staff, which ensures they are knowledgeable of digital risks such as phishing, and that they can handle sensitive data safely and securely.

## 6. People capability

Having a fully capable workforce to deliver our objectives is key to Natural England's success. Natural England has taken significant steps to improve our staff capacity, but we recognise that there is still further work to do to make sure we have a fully capable workforce. To confirm that we have staff with the right skills in the right parts of the business, we have increased our learning and development programme and are reviewing our strategic workforce plan and our staff framework.

We recognise that our staff are the heart of our delivery and so we are monitoring staff wellbeing and identifying where pressures are being felt in the business so that we can look after our staff. We are also reviewing our staff framework as part of a wider pay and reward reform to ensure people are properly rewarded.

## 7. Financial probity

It is vital for Natural England to be able to suitably demonstrate and evidence budget spend so that we can demonstrate that we effectively spend public money to deliver environmental outcomes.

To manage this risk, we have placed greater accountability on our budget holders who must submit regular financial management information, providing an accurate picture of spending. We have also set up a capital spending committee to oversee and approve these budgets. To ensure best practice, guidance has been issued to confirm that capital expenditure is delivering the expected benefits and provides good value for money. A procurement pipeline has also been developed which provides key information to Defra.

## 8. Keeping people safe

Keeping our staff and stakeholders safe is a priority for Natural England. We recognise the importance of ensuring the wellbeing of staff and those who access land/properties under Natural England management.

To ensure we maintain a safe environment, we established a robust Health and Safety action plan for 2022-23. This included placing a strong focus on developing the knowledge and capability of staff across the organisation so that risks can be effectively mitigated. We increased our emphasis on leadership and staff engagement to enhance our culture around Health and Safety. We have also ensured that structured governance arrangements are in place for monitoring, reporting and escalating risks so they can be appropriately managed.

## 9. Managing the organisation and corporate services pressures

It is vital that Natural England and the Corporate Services delivered by Defra (Finance, Human Resources, Digital, Data and Technology Services, Communications, Property and Commercial Services) are effectively managed for us to be able to appropriately deliver our objectives for nature.

We have built better partnerships with Defra to ensure that our needs, amongst those of other ALBs, are met so we can suitably maintain delivery. This includes further defining the service standards we need. We have also increased staff resource across our in-house enabling functions, such as project management.

## 10. Natural England's delivery of targets and outcomes

Throughout the year, performance indicators have been used to surface and act on delivery risks.

We have prioritised continuous improvement activities across Natural England to strengthen our delivery. This includes leadership development and partnership working. Although some of this approach is longer term, quick wins have also been identified and actioned.

# Sustainability report

## Summary

This section sets out Natural England's performance against the significant sustainability objectives of its estate and operations. In turn, this work complements the new Defra Sustainability Strategy which looks to address the environmental impacts and mitigation measures from all Defra group internal operations.

As an environmental organisation 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 confirm that our ways of working also make a positive contribution in any way possible.

The table below gives our headline Greening Government Commitment (GGC) data for 2022-23:

Overall Greening Government Commitments performance 2022-23				
Area	Units	2017-18 baseline	2022-23 Performance*	Summary GGC targets for Defra Group 2021-2025
Greenhouse gas (GHG) emissions (not including NNRs) **	tCO2e	2,035	1,650	Reduce overall CO2e by 50%
Reduce building emissions	tCO2e	153	225	Reduce direct CO2e (buildings) by 15%
Reduce flights	tCO2e	7	5	Reduce domestic flights emissions by 30%
Water consumption (not including NNRs)**	m <sup>3</sup>	3,426	1,248	Reduce water consumption by 8%
Total waste	tonnes	58	42	Reduce overall amount of waste generated by 15%
Total waste to landfill	%	2.5	4.1%	Reduce landfill to 5% of overall waste
Reduce paper	reams	7,115	117	Reduce paper use by 50%
<i>*Estates energy usage data (covering 13 core office buildings) as supplied by Defra Group Facilities Management.</i>				
<i>** NNRs only reported from 2020-21 onwards, so not included in the baseline. See tables for data.</i>				

In 2022-23, Natural England slightly increased its total greenhouse gas emissions against last year but they remain below the 2017-18 baseline and on course for the 2025 target. This was to be expected given the dip in emissions last year due to fundamental changes to ways of working during Covid-19 and our growing workforce. The figures for 2022-23 are similar to that of 2019-20, possibly suggesting a return to a steadier state.

## Sustainability targets

In this report, and until 2025 unless otherwise advised, Natural England will report against the 2021-25 Greening Government Commitments using the baseline of 2017-18. The more stretching targets for meeting the GGCs and new reporting areas are included, demonstrating our ambition to continue improving sustainability performance in all operations and contribute to Defra net zero ambitions. The data from these actions are then used by Defra to report against the United Nations Sustainable Development Goals.

## About our data

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 2022-23](#). The information contained within this annex has not been subject to audit and does not form part of the auditors' opinion on the accounts.

Note that the energy, waste and water data are 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.

## Carbon footprint overview (breakdown of reporting areas for GGCs 2021-2025)

**Headline Target:** 'Cut greenhouse gas (GHG) emissions by 50% (bespoke target for Defra group) from the whole estate and UK business transport. Reducing direct CO<sub>2</sub>e (buildings) by 15%.'

The table below outlines our Scope 1 (direct), Scope 2 (indirect) and Scope 3 (related to business travel) greenhouse gas emissions for Natural England in tonnes of CO<sub>2</sub>e, kilowatt hours (kWh) and cost.

Greenhouse gas (GHG) emissions from buildings and travel		2022/23	2021/22	2020/21	2019/20	2018/19
Non-financial indicators (tCO <sub>2</sub> e)	Total Gross Scope 1 & 2 (direct and indirect) GHG emissions	759*	630*	606*	514	649
	Total Gross Scope 3 (official business travel) GHG emissions	1,025	845	58	1,281	1,700
	<b>Total emissions</b>	<b>1,784</b>	<b>1,475</b>	<b>664</b>	<b>1,795</b>	<b>2,349</b>
Non-financial indicators (kWh)	Electricity: non renewable	0	0	0	0	0
	Electricity: renewable	1,852,688*	1,652,227*	1,187,620*	695,880	784,261
	Electricity : combined heat and power (CHP)	0	0	0	0	0
	Gas	1,255,690*	1,445,417*	790,092*	658,889	854,038
	Other Energy Sources	0	0	0	0	0
	<b>Total Energy</b>	<b>3,108,378</b>	<b>3,097,644*</b>	<b>1,977,712*</b>	<b>1,354,769</b>	<b>1,638,299</b>
Financial indicators (£000's)	Expenditure on energy	660**	91	74	72	183
	Expenditure on official business travel	3,280	1,069	72	2,592	2,440
	<b>Total expenditure on energy and business travel</b>	<b>3,940</b>	<b>1,160</b>	<b>146</b>	<b>2,664</b>	<b>2,623</b>
*including energy use by NNRs						
**Office recharge data 505k; NNR actual spend 155k						

## Minimising waste and promoting resource efficiency

**Headline target:** 'Reduce the overall amount of waste generated by 15% from the 2017-18 baseline.'

### Waste Production 2022-23

Waste		2022/23	2021/22	2020/21	2019/20	2018/19	
Non-financial indicators (tonnes)	Hazardous waste	N/A	N/A	N/A	N/A	N/A	
	Non-hazardous waste	Landfill	2	1	0	1	2
		Recycled/reused	27	25	4	15	27
		Waste Composted	1	1	0	1	1
		Aerobic digestion waste	5	N/A	N/A	N/A	N/A
		Incinerated with energy	7	6	1	7	9
	<b>Total waste arising</b>	<b>42</b>	<b>33</b>	<b>5</b>	<b>24</b>	<b>39</b>	

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. 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.

## Water

**Headline target:** 'Reduce water consumption by at least 8% from the 2017-18 baseline.'

The table below demonstrates water consumption in cubic meters by our estate and NNRs as well as the total cost:

### Water use and cost 2022-23

Water (Offices and NNRs)		2022/23	2021/22	2020/21	2019/20	2018/19
Non-financial indicators	Total water consumption (m <sup>3</sup> )	10,795*	20,757*	8,189	3,679	3,705
Financial indicators (£000's)	Total water supply costs	60*	29*	17	12	17

\* 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. 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 overestimation. It also allows for spotting spikes in usage which may indicate a leak which needs investigating.

## Other target areas

Paper use in Natural England offices has decreased to just 2% of the 2017-18 baseline. The carbon produced from the 25 domestic flights taken has also fallen by 24% against the 2017-18 baseline. Domestic business travel emissions have increased from the previous two years but are still below levels observed before the Covid-19 pandemic. In 2022-23 we also trialled a staff commuting survey which we hope to build upon in 2023-24.

## Sustainable procurement

**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.’

We are committed to making our commercial activity more sustainable. To do this we will ensure Natural England’s sustainable procurement approach is consistent with UK government policy, Defra group aims and complies with current UK legislation and laws.

Defra group Commercial, who provide a procurement service to Natural England as part of the shared services model, 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.

In line with Defra group priority outcome areas and work with the Defra Sustainability Centre of Excellence (SCoE), Natural England will focus on the following areas throughout procurement lifecycles:

- a. Responding to Climate Change
- b. Optimising Natural Capital
- c. Resource and Water Optimisation
- d. Positive Social Impact

With the launch of the ‘MyBuy’ platform in Natural England in March 2023, our staff can now access key commercial guidance information (including sustainability requirements) from a single commercial platform.

## Green ICT

Natural England’s ICT and digital services are provided by Digital Data and Technology Services (DDTS) part of Defra group Corporate Services. The environmental impacts from ICT and digital are reported at the Defra group level through DDTS and adhere to their ethical and environmental standards where:

- 100% of projects and programmes are assessed for sustainability impacts and benefits and sustainability criteria and KPIs embedded in design and delivery.
- DDTS are the role model and exemplar to other government departments, the wider public sector and industry, internationally.
- A net zero target for DDTS services has been established and the reduction target and pathway is embedded as a commitment within all contracts.
- DDTS work as closely as possible with current and future suppliers to help ensure our supply chains are free from slavery and exploitation.

## Biodiversity and natural environment

**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 for their land, estates, development and operations.’

Natural England is in an unusual position in that Nature Recovery is a core part of our purpose. 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 reporting. Natural England has used natural capital accounting to report outside of the Accounts on the value of the National Nature Reserves that it owns or manages. This award-winning report used an innovative method to report natural assets condition alongside their value to improve decision making. Annex 1 explains how this method has been applied and how it impacted decision making and summarises how we are improving our ability to report asset condition.

## Climate change adaptation

**Headline commitment:** ‘Develop an organisational Climate Change Adaptation Strategy across estates and operations.’

Our new Climate Change Strategic Plan sets out how we will accelerate action to tackle the joint crises of climate change and nature loss across all our work and achieve our ‘high nature, low carbon’ ambition for England. The Strategic Plan’s six objectives cover:

- Culture change within Natural England to align action to address the climate and nature emergencies
- Helping nature adapt to climate change
- Contributing more to net zero through nature recovery actions
- Enabling adaptation to climate change through Nature-based Solutions
- Enhancing and deploying our evidence base
- Reducing our own carbon footprint

## 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.

## Future strategy

Looking back at 2022-23, we will produce a standalone environmental report to demonstrate our environmental transparency, integrity, and commitment to corporate sustainability beyond the GGC scope. This will 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.



# Review of 2022-23 financial performance

## Summary of financial performance and funding

Natural England's outturn performance against its agreed budgetary position was a net underspend of £10.1m (Revenue £2.6m/1.7%; Capital £7.5m/9.2%). The reasons for the capital underspend are explained in the capital investment summary section below.

Natural England is predominantly funded by Defra Grant in Aid (88%), our funding agreement operates within the context of the Comprehensive Spending Reviews (CSR) which HM Treasury agrees with each Government Department. 2022-23 was the first year of a three-year settlement being undertaken for the financial periods 2022-23 to 2024-25.

## Analysis of 2022-23 operating costs (Statement of Comprehensive Net Expenditure - SoCNE)

The Statement of Comprehensive Net Expenditure shows that Natural England's net operating costs for the year were £219.5m (restated £170.6m 2021-22). This was made up of total operating costs of £245.4m (restated £202.5m 2021-22) net of total income of £25.9m (restated £31.9m 2021-22). Capital investment totalled £40.6m (£12.5m 2021-22).

### i. Revenue expenditure

In the financial year 2022-23 our total funding grew by 19% and our full-time equivalent staffing level increased by 23%. The additional funding was targeted at specific activities and also invested in our staff, our Nature Reserves, new technology and a better evidence base. We have further increased our external programme budget as we sought to deliver outcomes through partnerships with others. Specifically, areas of investment in both funding and staff resource have included:

- Launched and continued to develop the growth of a number of new grant schemes including Landscape Recovery, the Nature for Climate Peatland Grant Scheme and Strategic Outcome Fund Nature Based Solutions.
- Worked with others to develop how Biodiversity Net Gain (BNG) will work in practice. This uses development processes to leave biodiversity in a better state than it was before the development started and secures wider benefits for people and the environment. Natural England will take on some new roles and activities that will be fundamental to the successful operation and implementation of mandatory BNG when launched and work has been undertaken in 2022-23 to prepare for this. Natural England will sell statutory biodiversity credits on behalf of the Secretary of State to developers who are unable to secure the biodiversity units they need to achieve on site or via a third party.
- Developing compensatory measures for Nutrient Neutrality. Nutrient neutrality rules are based on environmental law and Natural England has been working in partnership with developers and planning authorities to create compensatory measures, including new wetlands, to mitigate the nutrient load of new developments and allow housebuilding to go ahead.
- Preparing for the rollout of Local Nature Recovery Strategies (LNRS) which as introduced by the Environment Act 2021, are locally owned spatial plans for nature. Everywhere in the country will have identified priorities and potential measures for biodiversity recovery and wider environmental goals.

- Commenced delivery of Natural Capital and Ecosystem Assessment (NCEA), a project which gathers definitive data on the extent, condition and change over time of England's ecosystems and natural capital. This is a long-term science and innovation programme and will combine satellite earth observation, professional field survey, citizen science and existing data sets to create a richer, more comprehensive picture of our natural environment.
- Using Nature for Climate funding to support woodland creation we recruited staff into area teams to handle incoming consultations on woodland creation proposals from the Forestry Commission, Woodland Trust, Community Forests, landowners and agents. The funding also facilitated national operational staff who produced guidance documentation and improvements to both internal integrated and external partnership working.
- Increased expenditure in areas such as Catchment Sensitive Farming, agri-environment monitoring and evaluation, preparations for the Environmental Land Management Schemes and Wildlife Management.
- Induction of new staff and training and development of all our staff.

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

Grant expenditure increased by £5.5m (37%) in 2022-23. This was largely due to the launch of two new grant schemes;

- **Nature for Climate Peatland grant scheme**

In March 2020 the Chancellor announced a £640m capital spend proposal for the Nature for Climate Fund (NCF). Under this funding Defra developed a Peat Capital Grant Scheme proposal running from 2021-25. Natural England was commissioned to create and deliver the scheme.

The main objectives of the Nature for Climate Peatland Grant Scheme are to bring restoration management to 35,000 ha of upland and lowland peats across England by March 2025, and for that restoration to secure a total of 9 metric tons (Mt) of Carbon by 2050. The project will also produce a new map of the upland and lowland deep and shallow peat resource in England. The scheme will facilitate the development of more holistic and connected plans and outcomes for our peatlands in the future. It is a competitive grant scheme that will run until 2025 and over this period capital grants totalling £55m are planned to be made.

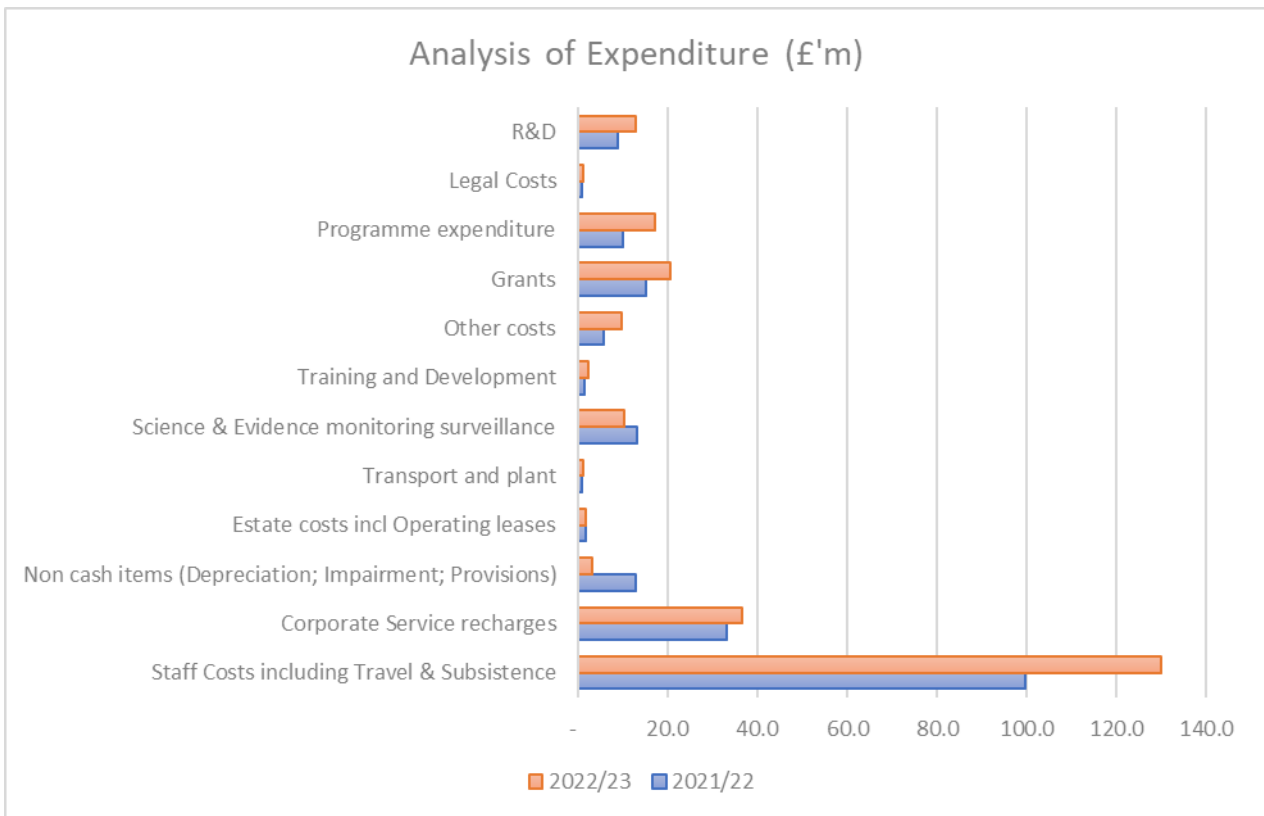
- **Shared Outcome Fund Nature Based Solutions climate change grant scheme**

Defra and the Department for Energy Security and Net Zero (DESNZ) are working together on a project, led and delivered by the Defra group (including Natural England) to develop effective ways of integrating nature-based solutions with other land management objectives.

HM Treasury awarded the Shared Outcomes Fund (SOF) project to Defra and DESNZ. This SOF project is a three year £12.5m project in total with funding 'ring-fenced' from HM Treasury. The purpose of the project is to research and monitor carbon sequestration in diverse habitats through landscape-scale restoration and to develop the governance and blended funding models to allow this to become a business-as-usual mechanism. The Natural England share of the capital funding over the three-year period for grants is £5m.

Figure 1 below shows where we spent our money in 2022-23 compared to 2021-22. Note 4 to the accounts give a further breakdown of these details.

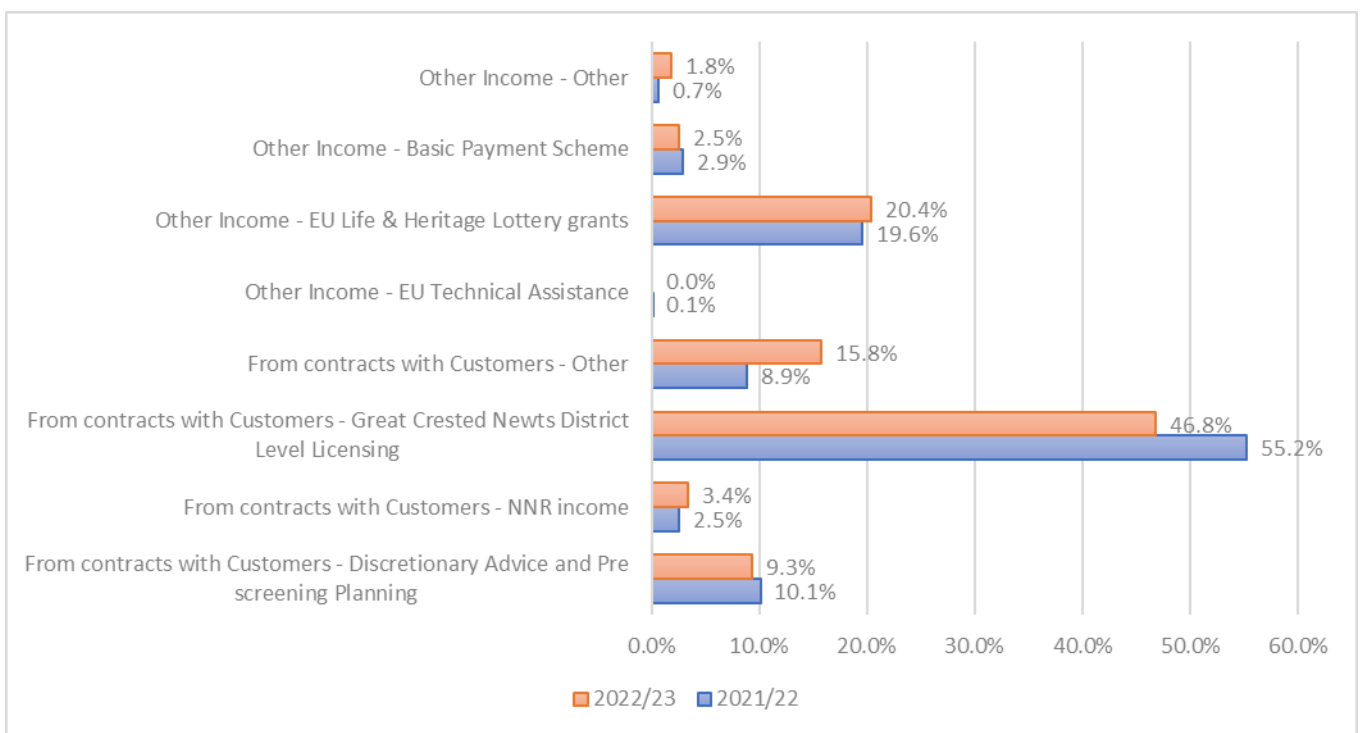
**Figure 1: Expenditure Analysis**



**ii. Non-Grant in Aid income received**

As explained above, Natural England is predominantly funded by Grant in Aid (88% which goes directly to the SoCTE), 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 12% (2021-22 restated 18%).

**Figure 2: Analysis of 2022-23 revenue income sources compared to 2021-22 (%)**



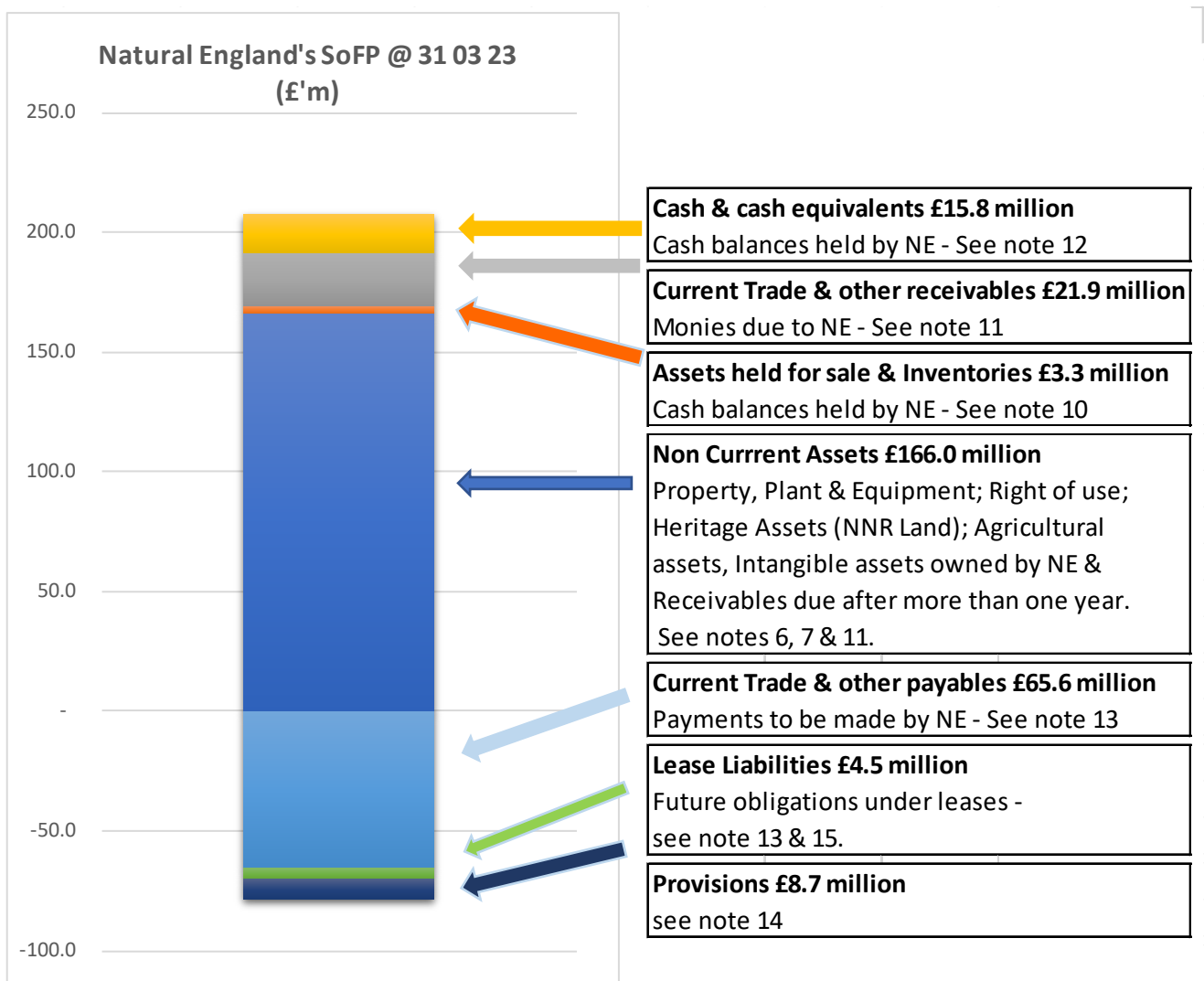
Both EU Life and Heritage Lottery Grants are received for delivering specific environmental projects. The funding for these can vary year on year depending on the current grant agreements in place with the funding bodies.

As shown, funding streams remain largely the same, and these are discussed in further detail at note 5.1.

We are aiming to grow and increasingly secure new revenue streams to support the natural environment. In 2022-23 we continued to grow our District Level Licencing for Great Crested Newts scheme. As the scheme is now bedding down, we are seeing increased demand and therefore receipts coming through from customers.

### Analysis of the Statement of Financial position [SoFP] (Balance sheet at 31 March 2023)

Figure 3: Analysis of Natural England’s Statement of Financial Position as at 31 March 2023



For the first time lease liabilities held by Natural England at 31 March 2023 of £4.5m are shown on the SoFP, as a result of the implementation of the new lease accounting standard.

## Capital investment

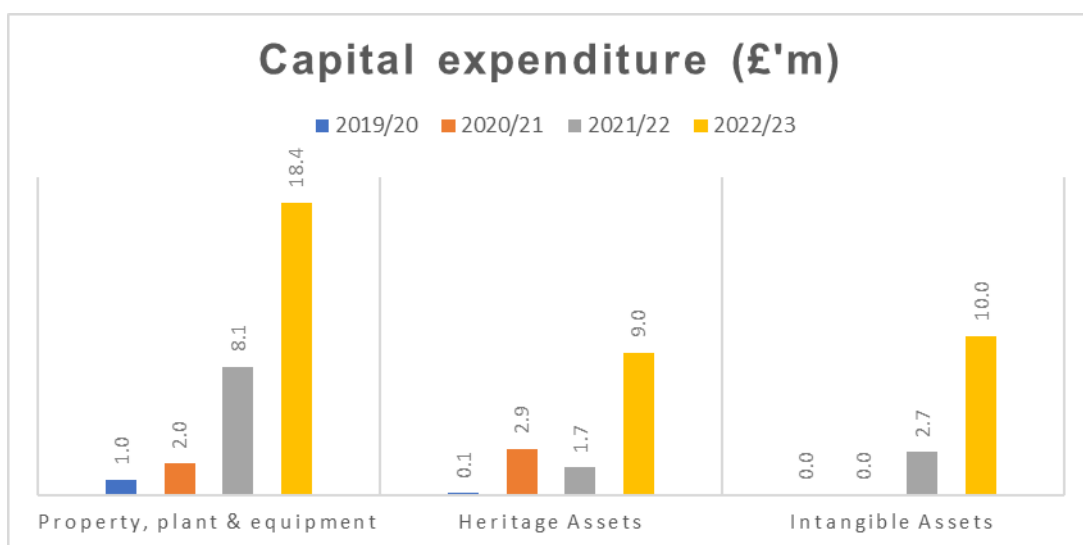
As shown above the largest items on Natural England Statement of Financial Position are the non-current assets. In 2022-23 Natural England had £73.6m of Capital expenditure. From this £17.5m was used to fund research and development activities that were eligible to be capitalised and £15.5m was used to fund Capital Grant scheme expenditure to third parties including, the Peatland grant scheme, England Coast Path and Nature Based Solutions for climate change - these costs include cost of relevant staff support. This left £40.6m (2021-22 £12.6m) for capital investment within Natural England.

The capital budgetary allocation for the year was £81.1m and Natural England's outturn of £73.6m meant a net budgetary underspend of £7.5m/-9.2%. There were several factors contributing to this underspend:

- £0.9m Nature Based Solutions transferred to Defra who are the eligible body able to make section 31 grants to Local Authorities
- A delayed third-party land purchase for Nutrient Mitigation Projects of £0.8m
- Nature Based Solutions (£1m) and Peat Capital Grant Scheme (£0.4m) encountered lower than expected claims.
- Nature Recovery Network and Species recovery delayed due to changes in implementation plans (£1.1m).
- Issues with forecasting for IT projects (£1m)

Of the £40.6m capital investment, £3.2m was for Nutrient Neutrality Carbon Credits as shown in note 10 to the Accounts. The main areas of the balance of capital investment (£37.4m) within Natural England are identified in Figure 4 below, with 2019-20, 2020-21 and 2021-22 details shown for comparative purposes. As can be seen from this Capital investment has increased dramatically (c 200%) over the last year. This trajectory is planned to continue into 2023-24 and in light of this and lessons learnt from 2022-23, Natural England continues to review its capital governance procedures to ensure we are able to achieve full outturn on our capital budget in 2023-24.

**Figure 4: Capital Investment**



Of the £37.4m capital investment in 2022-23:

**Property, plant, and equipment** (£20.7m) included:

- £11.7m on new land and building purchases, the most significant being Chat Moss in Lancashire (£6m); Hexton in Hertfordshire (£5m) and Somerset Wetlands, Wisteria Farm in Somerset (£0.7m).
- £0.5m 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.
- £8.5m of assets treated as assets under construction as work is ongoing on several NNRs, the more significant include Shapwick Heath (£1.6m); Thursley (£0.8m); Saltfleetby (£0.3m); Lindisfarne (£0.3m); Martin Down (£0.2m); Hatfield (£0.2m); Derwent (£0.2m) and Gait Barrows (£0.2m).

**Heritage Assets** (£6.7m):

The significant areas of investment in 2022-23 were the purchase of land at Somerset Wetlands (£2.4m), South Solway Mosses in Cumbria (£1.1m); Hogg Cliff (£1.1m) and Shapwick Heath in Somerset (£0.16m).

**Intangible Assets** (£10.0m):

Expenditure in previous years in this area has largely been purchased software and licenses. In 2022-23 new funding was secured to internally generate software and this supported the development of IT systems including protected sites regulation and enforcement systems, marine recorder and nutrient mitigation. These assets are still under development and are not yet completed and work is ongoing and continuing in 2023-24.

## 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 deliver 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 2022-23. 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 our National Nature Reserves are fully open to the public and these are one of our most important contributors to this aim.

## Going concern statement

An assessment of the going concern of Natural England is detailed within the Notes to the Financial Statements – Statement of Accounting Policies at note 1.2.2. Based on the information within this, it has been assessed that Natural England has sufficient resources to cover expected expenditure until at least 31 March 2025 (date covered by indicative spending allocations). It has therefore been considered appropriate to adopt a going concern basis for the preparation of these financial statements consistent with the Financial Reporting Manual (FRM) 2022-23 continued provision of service basis.



Marian Spain

Chief Executive  
Natural England

27 November 2023

# **Accountability report -**

**provides the key accountability requirements to Parliament;**

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 Chair

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 Chair on 23 April 2019.

### Board members

At the 31 March 2023, the Board was made up of thirteen Non-Executive board members including the Chair. 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 20 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 2022 and March 2023, 99% (2021-22, 97%) 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 2022-23.

### 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 42).

# 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 (FReM) 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 FReM 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 2022-23

## 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 2022-23.

It will report on any specific control issues identified in 2022-23 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.

## Delivery and assurances

Over 2022-23, the Natural England Board held six 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**

<b>Member</b>	<b>Board attendance (6 meetings)</b>	<b>ARAC attendance</b>	<b>RemCom attendance</b>	<b>NESAC attendance</b>	<b>NELAP attendance</b>
<i>Tony Juniper (Chair)</i>	6/6				
<i>Marian Spain</i>	6/6	4/4	4/4		
<i>Lord Blencathra</i>	6/6	3/4	4/4		
<i>Henry Robinson</i>	6/6		4/4		
<i>Catherine Dugmore</i>	6/6	4/4			
<i>Andy Clements</i>	4/6			3/5	
<i>Michael Winter</i>	5/6			3/5	4/4
<i>Kim Shillinglaw</i>	5/6		4/4		
<i>Kerry ten Kate</i>	6/6			4/5	
<i>Rosamund Blomfield-Smith</i>	6/6	4/4			4/4
<i>Peter Unwin</i>	5/6	3/4	4/4		
<i>Clare Fitzsimmons</i>	6/6			4/5	

The Board returned to face-to-face meetings as the default format during 2021-22. The Board Effectiveness Review was deferred from 2022-23 into 2023-24 to allow for a multi-agency exchange of independent views to be co-ordinated.

## Risk management

As noted above, the Natural England Framework Document requires that the Board assure themselves that effective arrangements are in place for the management of risk. ARAC then provides a more detailed scrutiny.

Natural England promotes a supportive risk culture which encourages openness. The aim of our risk management framework is to support 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 HM Treasury guidance Management of Risk: Principles and Concepts. Risks are escalated where required to the Executive Team and Board. Natural England does not own any business-critical models.

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 further improvements to our risk management capability, we undertook a project throughout 2022-23 to enhance our risk framework by developing more bespoke and granular risk reporting and through promoting improved risk management practices. We will continue to build on the good work achieved throughout 2022-23 as our goal is to instil a culture change where risk management becomes central to our delivery strategy throughout all levels of the organisation and becomes something in which Natural England really excels.

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 HM 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.

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

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 2022-23. Any fraudulent procurement card activity when discovered by the organisation, results in Royal Bank of Scotland (RBS) being forewarned and the appropriate account frozen, therefore reducing both the loss and risk to Natural England.

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 in 2022-23 found that Natural England has the foundations for a very well managed approach to fraud and error. Additional staff resources have been allocated to the development of a comprehensive counter-fraud strategy for Natural England in 2023-24.

## 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 good security and information behaviours by joining up the teams working on digital and data to take a comprehensive view of issues to the newly established Digital, Data & Defence Group (3D), through our continued development of the Information Commissioners Accountability Framework and a continued focus on the delivery of Security and Information Training.

In 2022-23 the following incidents were referred to the Natural England Security Team:

- Leaks 0
- Losses 19
- Complaints 0
- Personal Data 11
- Unauthorised disclosure 46
- Physical Security 6

All reported incidents are followed up to ensure that steps have been taken to address the issue and advice is provided to affected parties regarding any recommended remedial actions. None of the incidents recorded met the threshold for reporting to the Information Commissioner's Office (ICO) but we have referred some matters for clarification to ensure we are always taking the most appropriate steps.

Natural England has completed a cross-group survey of staff awareness and behaviours with regard to security (both physical and information). The survey demonstrated an improvement in awareness of staff and a better understanding of how to obtain support, guidance and advice but with improvements needed in uptake of security training.

In August 2023 the Government Internal Audit Agency produced an audit with a limited finding in relation to Natural England's compliance with GDPR requirements using the Information Commissioner's Office self-assessment tool. The GIAA agreed with 75 per cent of the self-assessment but identified 13 areas for Natural England to address. At the time of laying the accounts six of the nine highest priority activities had been completed with remainder on track to be completed by March 2024.

## 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 Defra group Corporate Services

Governance Framework and the agreed Service Catalogues (Level 1-3). The group-wide Service Catalogues were updated by Defra group Corporate Services (DgCS) in September 2021, with periodic reviews scheduled to be done in each subsequent financial year. Quarterly reviews are held with each of the six functions within DgCS and issues are escalated to the Group Corporate Service Board and assurances on the quality and quantity of service are discussed, including any Accounting Officer or Board level risk. Board level risks were escalated to ARAC throughout 2022-23 as these posed significant risk to Natural England's delivery in areas such as Commercial. Defra have issued their final position statement on their Group Corporate Services Transformation Portfolio Internal Audit which included several recommendations to improve their service provision including the update of their Service Catalogues. Natural England's own Government Internal Audit Agency (GIAA) Report (Limited Assurance) highlighted further improvement is needed in partnership working, service provision and progress reporting. This improvement programme will continue throughout 2023-24 to ensure the partnership is supporting and enabling Natural England to deliver its outcomes.

## Specific control issues and whistleblowing

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.

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 2022-23 four whistleblowing cases were raised. Three of these cases have been investigated within Natural England, grounds for the cases were unsubstantiated and therefore closed. One case being investigated at Defra level has now been closed, the delay in reporting its conclusion was due to an amendment in policy to provide outcomes.

## Overall assurance

We obtain assurance from a combination of internal work and from reviews commissioned from the GIAA.

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

Our 2022-23 programme of work from GIAA was developed by Natural England's independent Head of Internal Audit through working with the Chief Executive, Natural England's Executive Committee and with Directors/Area Managers, and then with the Audit and Risk Assurance Committee. 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.

One of our main sources of independent assurance comes from the activities of the internal audit service provided by a team from within the GIAA. Internal audit has an important role in the governance framework of Natural England through provision of assurance to management, the

Accounting Officer and ARAC, along with identifying practical recommendations to reduce risk exposure across Natural England. The internal audit function operates to Public Sector Internal Audit Standards, with a Head of Internal Audit (HIA) from the GIAA appointed to provide the internal audit service to Natural England.

In 2022-23, the Head of Internal Audit provided a 'Moderate' opinion on the framework of governance, risk management and control within Natural England. The HIA Annual Report noted that in relatively new areas of work such as Nature-Based Solutions for Climate Change, Landscape Recovery, Peat Grant Scheme and Biodiversity Net Gain Services significant progress had been made after overcoming initial set-up issues. There were, however, one "unsatisfactory" and two "limited" reports that highlighted concerns over key aspects of the governance, risk management and control environment in respect of compliance with key policies & procedures and the need to strengthen partnership working with Defra group Corporate Services.

The unsatisfactory report related to the record of protected sites. The purpose of the audit was to evaluate to what extent the risks associated with records management for Natural England's decisions relating to protected sites are effectively controlled. Findings indicated that the facilities provided by the existing filing service do not support effective records management; the "database" systems used are internal systems with very basic functionality and staff do not consistently follow the good practice guidelines on effective record keeping. In response it should be noted that the existing filing system is being replaced by a modern and much more effective system and the same project team will also be addressing poor compliance with record keeping as part of its rollout. Not as a direct result of this audit but it is important to note that the Executive Committee has agreed a proposal to establish a fully functioning second-line assurance team on the advice of the newly appointed Director of Assurance and Corporate Governance.

There were two limited reports relating to Natural England as an intelligent partner of the Defra group Corporate Services Framework and the other on Health and Safety.

The corporate services audit noted a lack of integrated business planning between Natural England and the Defra group and greater discipline could be applied to reviewing performance against plans with clear agendas for meetings. It was also found that KPIs have not been established to measure the performance of Defra group or Natural England for Natural England-related services. In response, Natural England will seek to ensure it is doing the basics right in complying with policies and procedures supported by the development of a stronger second line of defence and to continue to manage change effectively.

The Health and Safety (H&S) audit found that although a strategy had been introduced in 2023, which audit found aligned with good practice, H&S culture that underpins good practice is still relatively immature and needed to be strengthened and that there are inconsistencies in how H&S is applied. In response, Natural England recognises there needs to be strong leadership from senior management down through the organisation to drive and embed a culture where H&S is seen as a priority activity, in which all staff clearly understand their roles and responsibilities and carry them out effectively. This includes having H&S objectives in personal development plans and factoring dedicated time into workforce planning assumptions.

In the coming year, Natural England will begin building a robust second-line assurance function underpinned by a new assurance framework and strategy to implement it. This will build on the Assurance Plan that we launched in 2020-21 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.



## **Keeping People Safe:**

An audit in 2022 of Health and Safety within Natural England found that while we have a good framework of policy and guidance, the organisational health and safety culture is relatively immature and needs to be strengthened. We have invested in training senior leaders and new team leaders to ensure that a safe working culture is at the heart of all we do. This is increasingly being modelled by staff at all levels of the organisation.

As first reported in the Natural England Annual Report and Accounts 1 April 2021 to 31 March 2022, 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. A Coroner's inquest in March 2023 gave a finding of death by misadventure.

A full review of the contractor management documentation and relevant health and safety practices was undertaken as a part of the comprehensive internal investigation carried out by Natural England.

Natural England continues to work with Health and Safety Executive whilst they conclude their investigation, which may take several years.

## **Keeping Money Safe:**

Risks in this area are well managed and no significant concerns have been raised in-year. Delays in the ability to procure goods and services have led to a reliance on other payment forms such as government procurement cards and it is recognised that this should be a short-term response and not a long-term change of approach.

## **Keeping Data Safe:**

Access to data, particularly personal data is key to the way in which Natural England manages its contact with the public, landowners, stakeholders and staff. Much progress has been made in the last year, particularly around identification of points at which we use data and how we manage the applications that make use of that data.

We have a comprehensive transparency scheme available via our gov.uk website and use the Information Commissioners Accountability Framework to self-assess our compliance with the UK General Data Protection Regulation (GDPR).

In addition, we are undertaking work to understand and increase our organisational data maturity across six core themes: Skills, Culture, Tools, Leadership, Data Management and Data Use. In the next financial year we will be focusing on consolidating our data direction across the organisation, improving our knowledge of the data we have, ensuring we have the right data skills and knowledge, developing data literacy consistently across Natural England, and identifying the specialist skills required to drive our desire to improve the environment.

## **Safe Governance:**

We continue to maintain and update Natural England's decision-making framework (e.g. in the publicly available Scheme 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 guidance and ensuring consistency of delegated decisions.

In the 2021-22 Accounts, the external auditors gave a qualified opinion on the treatment of £5.4m of income for our District Level Licencing Great Crested Newts scheme. During 2022-23 we instigated a review with a wide range of parties to seek to remove this qualification and resolve the accounting issue for future years. The scheme uses private sector developer funding to deliver strategic habitat creation over a 25-year period. The conclusion of the review was that the income from developers should be recognised as revenue received in year and a provision should be established to show the future years liabilities over the remaining 25-year period. As a consequence, as well as the income deferral identified in 2021-22, this resulted in an additional two material misstatements of the prior year accounts being identified relating to additional income having to be accrued due to a change in the recognition point and the establishment of a provision for the future costs of commitments (see note 2).

## Concluding statements

### **From the Chair of ARAC**

*As Chair of the Audit Risk Assurance Committee, I am confident that in 2022-23 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.*

### **From the Chief Executive**

*This Governance Statement covers the period of 2022-23 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. This year has demonstrated that the context in which Natural England operates continues to become more complex as both our organisation and ambitions for nature recovery continue to grow. It will be important to ensure that our controls continue to evolve to match that. 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](http://www.gov.uk/government/organisations/natural-england/about/our-governance)

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

### Remuneration policy

The remuneration of the Senior Civil Service (SCS) is set by the Prime Minister following independent advice from the Senior Salaries Review Body (SSRB). The Cabinet Office advises the department in March or April each year of the government's response to the SSRB recommendations and produces guidance for departments to follow. The core department develops its reward strategy for its staff who are equivalent to SCS for pay purposes, within the Cabinet Office framework, ensuring that the overall pay awards for senior staff are within the cost ceiling allowed.

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

### 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 2022-23 relates to 2021-22 review of end of year performance). In-year awards up to a maximum of £5,000 can also be made, with an individual able to receive more than one award. 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 collective pay bill. The total value of awards for a single performance year (in-year and end of year performance) should not exceed £17,500 unless HM Treasury approval has been sought. 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	2022-23 Remuneration £000	2021-22 Remuneration £000
Tony Juniper CBE (Chair)	85-90	85-90
Andy Clements	10-15	10-15
Prof Michael Winter OBE	10-15	10-15
Rt Hon Lord David Blencathra (Deputy Chair)	25-30	25-30
Catherine Dugmore	10-15	10-15
Prof Sue Hartley OBE (Left 11/9/21)	-	5-10*
Henry Robinson	10-15	10-15
Kim Shillinglaw	10-15	10-15
Kerry ten Kate	10-15	10-15
Rosamund Blomfield-Smith	10-15	10-15
Peter Unwin CB	10-15	10-15
Clare Fitzsimmons (From 12/9/21)	10-15	5-10*
Lynn Dicks (From 01/03/23)	0-5*	-
Dame Caroline Spelman (From 01/03/23)	0-5*	-

\* 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 2022-23 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:

	2022-23				2021-22			
	Salary	Perf related pay	Pension benefits	Total	Salary	Perf related Pay	Pension benefits	Total
	£000	£000	Note i £000	£000	£000	£000	Note i £000	£000
<b>Chief Executive:</b>								
Marian Spain	130-135	5-10	52	190-195	130-135	0-5	50	180-185
<b>Chief Officers:</b>								
Alan Law (Strategy and Government Advice)	100-105	0-5	(57)	45-50	100-105	0-5	17	120-125
Tim Hill (Science and Evidence)	95-100	0-5	(23)	75-80	95-100	-	21	115-120
Navroza Ladha (Legal and Governance)	100-105	0-5	(20)	80-85	95-100	0-5	24	125-130
Richard Cornish (Chief Operating Officer) Left 18/4/21 <i>Note ii</i>	-	-	-	-	0-5	-	2	5-10
Gleny Lovell (Planning and Performance) Left 3/2/23 <i>Note iv</i>	80-85	-	32	110-115	90-95	-	37	130-135
Oliver Harmor (Chief Operating Officer) From 13/9/2021 <i>Note iii</i>	90-95	5-10	37	135-140	50-55	-	20	110-115
Elizabeth Newton (From 19/4/21 to 12/9/21) <i>Note iii</i>	-	-	-	-	35-40	-	85	120-125
Kirsty Carter-Brown (from 26/1/23) <i>Note iv</i>	15-20	-	8	25-30	-	-	-	-

Notes:

- i. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contribution made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.
- ii. Full Year salary 2021-22 £95-£100k
- iii. Full Year salary 2021-22 £90-£95k
- iv. Full Year salary 2022-23 £95-100k

## Fair pay disclosures (audited information)

Reporting bodies are required to disclose;

- the relationship between both total pay and benefits and the salary component of total pay and benefits of the highest paid director in their organisation and in respect of employees of the organisation taken as a whole
- the relationship between the remuneration of the highest paid director in their organization and the lower quartile, median and upper quartile 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.

	Salary & Allowances		Total Remuneration	
	2022-23	2021-22	2022-23	2021-22
Banded remuneration of the highest paid employee in Natural England	£130 –135k	£130 –135k	£135 –140k	£130 –135k
Percentage change from the previous financial year in respect of the highest paid director	0.0%	-	3.8%	-
Median remuneration of the workforce (50 <sup>th</sup> percentile)	£33,399	£32,438	£33,736	£32,438
Ratio of remuneration of highest paid director to median remuneration of the workforce	4.0	4.1	4.1	4.1
25 <sup>th</sup> percentile remuneration of the workforce	£27,273	£26,224	£27,453	£26,224
Ratio of remuneration of highest paid director to 25 <sup>th</sup> percentile remuneration of the workforce	4.9	5.1	5.0	5.1
75 <sup>th</sup> percentile remuneration of the workforce	£34,394	£34,188	£34,852	£34,452
Ratio of remuneration of highest paid director to 75 <sup>th</sup> percentile remuneration of the workforce	3.9	3.9	3.9	3.9
The range of banded remuneration for the workforce in Natural England	£10 - £15k to £130 - £135k	£10 - £15k to £130 - £135k	£10 - £15k to £135 - £140k	£10 - £15k to £130 - £135k
The average percentage change from the previous financial year in respect of the workforce of the entity taken as a whole	3.0%	-1.2%	3.2%	-0.5%

## 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 pension age and related lump sum (LS) at 31 March 2023 £000	Real increase in pension and related lump sum (LS) at pension age £000	CETV at 31 March 2023 £000	CETV at 1 April 2022 £000	Real increase/ (decrease) Note 1) in CETV £000
<b>Chief Executive:</b>					
Marian Spain	10-15	2.5-5	196	144	35
<b>Chief Officers:</b>					
Tim Hill	50-55 plus a lump sum	0 plus a lump sum of 0	946	873	(35)
Alan Law	45 - 50 plus a lump sum	0 plus a lump sum of 0	985	943	(72)
Navroza Ladha	40-45	0	675	631	(30)
Gleny Lovell (left 3/2/23)	5-10	0-2.5	125	88	26
Oliver Harmar	0-5	0-2.5	34	11	15
Kirsty Carter-Brown (from 26/1/23)	35 - 40	0 - 2.5	554	526	4

Note: i) Taking account of inflation, the CETV funded by the employer has decreased in real terms.

## Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member’s State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

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

the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (partnership pension account).

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

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

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

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

## **Cash Equivalent Transfer Values**

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

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



or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## Real increase in CETV

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

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

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 2022-23 (Nil 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 2023	31 March 2022
		£000	£000
Permanent staff salaries and allowances		89,392	67,787
Employer Superannuation Payment		22,966	17,887
Partnership Pension Contributions		136	138
Permanent staff social security costs		8,739	6,650
Apprenticeship Levy	Note a	437	346
Agency and temporary staff		3,861	5,405
Inward secondees		493	299
Temporary staff social security		136	184
Temporary staff superannuation		462	587
Other staff costs		93	61
Less recoveries in respect of outward secondments	Note b	(1,450)	(1,804)
<b>Total</b>		<b>125,265</b>	<b>97,540</b>

Notes:

- a) The Apprenticeship Levy introduced in April 2017 requires employers with an annual pay bill in excess of £3m to pay an annual levy based on total percentage of total payroll costs. The levy is collected through the PAYE system by HMRC and is then available through a Digital Apprentice Service for a two-year period to fund approved training for Apprentices. Income received through Natural England's Digital Apprentice Service for training is recognised as grant income in line with the associated expenditure (see note 5.2).

- b) Income for outward 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 full-time equivalent persons (FTE) employed within Natural England during the year was as follows:

	2022/23	2021/22
	Number	Number Represented
<b>Permanent staff</b>		
Executive/Director	25	19
Manager/Principal Specialist/Adviser	294	217
Team Leader/Senior Specialist/Adviser	943	655
Group Coordinator/Lead Adviser/Specialist	881	803
Adviser/Support Adviser	434	372
	<b>2,577</b>	<b>2,066</b>
<b>Temporary and contract staff</b>		
Executive/Director	1	1
Manager/Principal Specialist/Adviser	5	6
Team Leader/Senior Specialist/Adviser	35	32
Group Coordinator/Lead Adviser/Specialist	63	57
Adviser/Support Adviser	114	107
	<b>218</b>	<b>203</b>
<b>Total</b>	<b>2,795</b>	<b>2,269</b>

The 'represented' 2021-22 relates to an amendment of 77 FTE staff who are on fixed term appointment contracts. They were previously disclosed in the Permanent staff section of this table and have now been moved to the Temporary and contract staff section.

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

	31 March 2023 Headcount	31 March 2022 Headcount
Chief Executive (SCS 3 equivalent)	1	1
Chief Officers (SCS 2 equivalent)	5	5
Directors (SCS 1 equivalent)	26	15
<b>Total</b>	<b>32</b>	<b>21</b>

## Workforce and diversity profile

In line with the Equality Act 2010, Natural England, like all public bodies, is subject to the Public Sector Equality Duty and must have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not. The duty covers the nine protected characteristics. Natural England ensures that the terms, policies, procedures, programmes, services, and systems it offers its employees and customers are fair and equitable. Oversight of the development, improvement and maintenance of Equality, Diversity, Inclusion (EDI), 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 2023 extracted from the corporate human resources management system:

### Gender Split (by headcount)

Gender Split	Male		Female	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Non-Executive Directors	5	6	5	5
Management Staff (SCS grade or equivalent)	17	10	15	11
All other employees across Natural England	1,267	1,119	1,880	1,570
<b>Total</b>	<b>1,289</b>	<b>1,135</b>	<b>1,900</b>	<b>1,586</b>

Natural England published its 2022 Gender Pay Gap Report on 30 March 2023. Both the mean (3.8%) and median (0.3%) gender pay gaps have reduced this year (reduction of 1.2% mean, 0.7% median), maintaining a continuous downward trend over the last four years.

Natural England – publication data	%				
	2019	2020	2021	2022	+/- from 2021
Mean Gender Pay Gap - Ordinary Pay	8.4	7.0	5.0	3.8	-1.2
Median Gender Pay Gap - Ordinary pay	6.1	2.7	1.0	0.3	-0.7

Natural England – publication data	%					
	2019	2020	2021	2022	+/- from 2021	
Mean Gender Pay Gap - Bonus pay in 12 months ending 31 March	0.5	0.9	0.6	10	+9.4	
Median Gender Pay Gap - Bonus pay in 12 months ending 31 March	-	-160	-	-	-	
Proportion of male and female employees paid a bonus in 12 months ending 31 March	Male	40	91	41	74	+33
	Female	44	92	44	73	+29

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 established cross Defra group Gender Board. The Gender Board is chaired by an Executive Committee Champion and feeds into an overall Inclusion Leadership Group of senior leaders

which has oversight of ongoing work to improve equality, promote collaborative working and remove barriers to progress.

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 staff networks and our colleagues in Defra group (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:

- Providing active support for women returning to work following maternity or adoption leave. We offer 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 Beyond Boundaries (a talent programme for under-represented groups) and Crossing Thresholds (a year-long career development programme for women in the Civil Service); both schemes are open to Non-Departmental Public Bodies.
- Support a range of staff networks which are soon to all be championed by Natural England Directors with support from the EDI team. The two Natural England Gender Champions aim to support women to reach their full potential.
- Starting work on our White Ribbon accreditation, ensuring organisations are taking a strategic approach to ending harm to women by men, by strengthening systems, engaging with men and seeking to change culture and raise awareness.
- Monitor pay (including in year reward and recognition) 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, ensure all interviewers complete Natural England's interview training and the mandatory Inclusion in the Civil Service training and use diverse panels where possible. We monitor recruitment data throughout the attraction, recruitment, and selection processes to identify areas for further improvement in achieving greater diversity in our workforce. We have invested in specialist resource to help make our recruitment processes as inclusive and accessible as possible.

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

16-19	20-29	30-39	40-49	50-59	60+	Total
5	618	714	795	789	268	3,189

## Diversity and inclusion

Indicator	2022/23	2021/22	Trends	Commentary												
Gender balance within the Senior Civil Service (SCS)	50.00% female	52.38% female	<table border="1"> <caption>Female SCS staff</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2022/23</td> <td>50.00%</td> </tr> <tr> <td>2021/22</td> <td>52.38%</td> </tr> <tr> <td>2020/21</td> <td>40.00%</td> </tr> <tr> <td>2019/20</td> <td>40.00%</td> </tr> <tr> <td>2018/19</td> <td>30.00%</td> </tr> </tbody> </table>	Year	Percentage	2022/23	50.00%	2021/22	52.38%	2020/21	40.00%	2019/20	40.00%	2018/19	30.00%	This has increased in recent years and has reached parity.
Year	Percentage															
2022/23	50.00%															
2021/22	52.38%															
2020/21	40.00%															
2019/20	40.00%															
2018/19	30.00%															
BAME Staff	3.26%	2.58%	<table border="1"> <caption>BAME Staff</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2022/23</td> <td>3.26%</td> </tr> <tr> <td>2021/22</td> <td>2.58%</td> </tr> <tr> <td>2020/21</td> <td>2.50%</td> </tr> <tr> <td>2019/20</td> <td>2.00%</td> </tr> <tr> <td>2018/19</td> <td>2.00%</td> </tr> </tbody> </table>	Year	Percentage	2022/23	3.26%	2021/22	2.58%	2020/21	2.50%	2019/20	2.00%	2018/19	2.00%	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.
Year	Percentage															
2022/23	3.26%															
2021/22	2.58%															
2020/21	2.50%															
2019/20	2.00%															
2018/19	2.00%															
Disability	15.18%	12.52%	<table border="1"> <caption>Disability declaration rates</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2022/23</td> <td>15.18%</td> </tr> <tr> <td>2021/22</td> <td>12.52%</td> </tr> <tr> <td>2020/21</td> <td>10.00%</td> </tr> <tr> <td>2019/20</td> <td>10.00%</td> </tr> <tr> <td>2018/19</td> <td>9.00%</td> </tr> </tbody> </table>	Year	Percentage	2022/23	15.18%	2021/22	12.52%	2020/21	10.00%	2019/20	10.00%	2018/19	9.00%	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.
Year	Percentage															
2022/23	15.18%															
2021/22	12.52%															
2020/21	10.00%															
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Sexual Orientation	6.97%	5.12%	<table border="1"> <caption>Sexual Orientation</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2022/23</td> <td>6.97%</td> </tr> <tr> <td>2021/22</td> <td>5.12%</td> </tr> <tr> <td>2020/21</td> <td>4.00%</td> </tr> <tr> <td>2019/20</td> <td>3.50%</td> </tr> <tr> <td>2018/19</td> <td>3.00%</td> </tr> </tbody> </table>	Year	Percentage	2022/23	6.97%	2021/22	5.12%	2020/21	4.00%	2019/20	3.50%	2018/19	3.00%	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.
Year	Percentage															
2022/23	6.97%															
2021/22	5.12%															
2020/21	4.00%															
2019/20	3.50%															
2018/19	3.00%															

Natural England information as of March 2023 shows 15.18% of the overall workforce is made up of employees who identify themselves as disabled, 3.26% who identify themselves as from an ethnic minority and 6.97% who identify their sexual orientation as lesbian, gay, bisexual, or 'other' (LGBO). These are shown by grade below:

Pay band	Disabled	Ethnic minority	LGBO
Support Adviser	13.45%	3.36%	3.36%
Adviser	18.83%	4.71%	11.21%
Lead Adviser/Group Coordinator/ Specialist	16.12%	3.02%	7.45%
Team Leader / Senior Adviser / Senior Specialist	15.15%	3.17%	6.34%
Manager / Principal Adviser / Principal Specialist	9.64%	1.93%	3.86%
SCS	3.13%	9.38%	3.13%
Organisational Average	15.18%	3.26%	6.97%

EDI is a central priority within Natural England, as it impacts on everything we do as an organisation. We have delivered the 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 (CPWN) programme. In autumn 2022, the State of Sector report (looking at ethnic diversity across the environment sector) was published, alongside the State of Sector route map towards greater ethnic diversity in the environment sector which we supported the creation of and signed up to deliver the recommendations. The EDI team and the CPWN programme are working closely together to deliver the actions set out within the route map for Natural England.

## Recruitment practice

Natural England is accredited with the Civil Service Commissioners as a fair and open recruiter. This enables Natural England, as a 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 recruit, develop and retain a diverse workforce supported by a culture of respect and inclusion, embodying our vision that nature is for all. Building diversity and inclusive behaviours into our workforce at all levels, from our Board down, will bring breadth of experience and views to our organisation and create a workforce that the entire environmental sector can benefit from. 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, as well as Indeed and Google Ads.

We adopt anonymous 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 full People Survey in February 2022. That survey included questions that enable us to monitor our KPIs and also included a series of 'deep dives' into topics that were identified as issues in previous survey results, specifically work-related stress and career progression. The full survey also included questions to provide us with evidence to improve the line management function and inform the staff framework review and incorporated many of the questions in the Civil Service People Survey undertaken in November 2021.

In November 2022 the Natural England People Committee decided to adopt a more agile approach to future surveys, following a review of the survey process. Going forward the full survey will move to a two-year cycle (the next being due in February 2024) and will be complemented by a number of smaller 'pulse' surveys. The revised full survey will also aim to be smaller than previous surveys in order to encourage staff participation.

The first pulse survey was focused on EDI topics and the three people-related KPIs and ran from 20 February to 10 March 2023. The completion rate was 37% of our headcount.

Notable headlines from the EDI 2023 Pulse Survey are:

- **The Employee Engagement Index** – this dropped to 62.4% from 63.1% in the 2022 survey. This is 2.6% below our Performance Indicator target of 65%.
- **Commitment to Wellbeing** – 72.6% of staff believe that Natural England cares about their wellbeing. This is a decrease of 3.8% since the 2022 survey and is 7.4% below our target of 80%. This is the second consecutive drop since the July 2021 survey, which had shown a 5% increase from the 2019 results.
- **Commitment to Equality, Diversity, and Inclusion** - 75.7% agreed that Natural England is committed to creating a diverse and inclusive workplace. This is a fall of 8.5% on the 2022 survey results and is 4.3% below target (80%).

## Natural England People Strategy

The Natural England People Strategy, which was launched in July 2019, set out our priorities for supporting our staff with fair reward, making the best of their expertise, and enabling better career progression. It also sought to make 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 2022-23 are as follows:

Theme	Progress
<b>Strategic workforce planning and resourcing</b>	<p>Our current workforce strategy was launched in October 2021. It aligns with our new organisational vision, mission and 5-year priorities and sets out our key people priorities: organisational capability, career development, diversity, developing new skills and flexibility.</p> <p>We are engaged with Defra colleagues to conduct a review of our Strategic Workforce Plan to ensure that it reflects emerging priorities and issues.</p>
<b>Wellbeing (including Equality, Diversity, Inclusion)</b>	<p>A review of our work-related stress policies and processes has been undertaken. People Committee have accountability for taking this work forward and overseeing development of a comprehensive and sustainable Stress Reduction Plan, aimed at identifying and reducing the causes of work-related stress.</p> <p>A new EDI Action Plan delivered wider disability confident workshops and disability masterclasses for people leaders, which were launched in April 2022. This is being refreshed for 2023 to further support delivery of Natural England's EDI commitments and manage corporate risk.</p>

Theme	Progress
<b>Capability</b>	The project to create a new Capability Framework is at the concept phase. The project team will evaluate the current Skills Framework system (currently housed on an end of life technology stack that has never been onboarded into DDTS for support) and consider what user requirements and potential digital solutions are required for the organisation to measure its capabilities across a range of core and specialist skills and to identify where capability gaps exist.
<b>Leadership</b>	We continue to invest considerably in leadership and management development. A range of Environmental Collaborative Leadership learning content has been delivered, or is in development, that is bespoke to Natural England and its mission to Build Partnerships for Nature's Recovery.
<b>Career development</b>	We have played an active role in the Defra group project to develop and launch a new performance management framework. This new model places considerable emphasis on supporting individuals to regularly discuss their career aspirations with their line manager.
<b>Employee offer</b>	<p>As part of ongoing pay reform, NExCo (Natural England Executive Committee) 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. This review continues and is due to conclude at the end of March 2024.</p> <p>We engage and partner with our Trade Unions through consultation and regular engagement forums to find ways to improve the overall employee offer.</p> <p>We work closely with partners in the Defra group Employee Benefits team to provide a range of benefits to staff and in response to the ongoing cost of living pressures we have reviewed the support we provide to staff across a range of topics.</p>

## Health and safety

Health and Safety (H&S) activities this year have included audits of work practices on our National Nature Reserves. Policies and guidance continued to be reviewed and updated in line with current legislation. We have implemented a consistent H&S staff induction as well as introducing bespoke training for senior leaders and new team leaders. Line managers continue to complete their H&S workbooks to help them monitor compliance with H&S activities such as risk assessment and training.

Policies and guidance specific to work related stress were updated and training for line managers rolled out. We continue to provide a variety of tools and services to maintain health and wellbeing including occupational health assessments, an employee assistance program which includes counselling amongst other services, eye care provision, workstation assessment and a meditation and mindfulness app.

Health and Safety remains a focus for us and we finalised a new strategy which will continue to drive improvements into the new performance year. We ended 2022-23 with an improvement in near hit reporting in line with our Performance Indicator. Three hundred and sixty accidents were reported, of which 107 involved some form of injury whether minor or major. Work-related stress



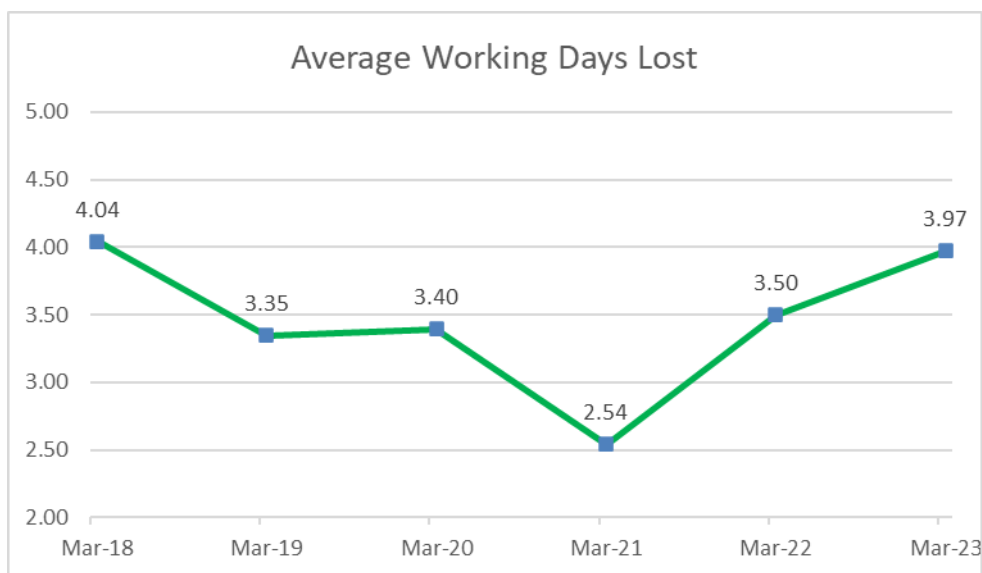
and mental ill-health incidents account for over 75% of all health-related incident reports. Around 10% of Natural England staff have reported a stress incident or near hit in work year 2022-23 which is why one of our priorities remains focusing on reducing work-related stress as well as on high risk activities.

## Managing attendance

For Natural England during 2022-23, an average of 3.97 working days per employee (3.50 days 2021-22) was lost to sickness absence. Absence due to 'diseases of the respiratory system' (36% is the main cause of absence and is higher than for 2021-22 (30.6%). The top 5 reasons for absence in 2022-23 were:

	Working days	Percentage
Diseases of the respiratory system	4,210	36%
Mental and behavioural disorders	3,050	26.1%
Diseases of the nervous system	1,134	9.7%
Diseases of the digestive system	900	7.7%
Diseases of the musculoskeletal system and connective tissue	780	6.7%

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)
137	1.91

Table 2 – Percentage of time spend on facility time

Percentage of time	Number of employees (Headcount)
0%	52
1%-50%	14
51%-99%	11
100%	60

Table 3 – Percentage of pay bill spent on facility time

<b>Total cost of facility time £'000</b>	67
<b>The total pay bill £'m</b>	125.3
<b>The percentage of the total pay bill spent on facility time</b>	0.05%

Table 4 – Paid trade union activities

<b>Time spent on paid trade union activities as a percentage of total paid facility time hours.</b>	1.58%
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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 2022 to March 2023 there was £nil (£nil in 2021-22) 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 2023, for more than £245 per day:

	Number
No. of existing engagements as of 31 March 2023 of which:	
No. that have existed for less than one year at time of reporting	6
No. that have existed for between one and two years at time of reporting	5
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 2022 and 31 March 2023 for more than £245 per day:

	Number
No. of temporary off-payroll workers engaged during the year ended 31 March 2023 of which:	
No. that is not subject to off-payroll legislation	42
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	1
No. of engagements reassessed for compliance or assurance purposes during the year	5
- 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 2022 and 31 March 2023:

	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

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; and
- A [non-financial schedule of delegations](#) ("NFSoD") which covers all non-monetary functions e.g. licenses, enforcement action.

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's expenditure 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.

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 2022-23, we can report that there were no losses, special payments or gifts incurred which either in aggregate or individually 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 2022-23 is £225k (2021-22: £128k). 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)

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 Licencing (DLL) 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 2022 to March 2023, we have generated £5.9m (2021-22 £5.9m) of income from commercial services including DAS, large scale contracts and chargeable wildlife licences, plus an additional £0.9m (2021-22 £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 the 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.

## Fees and charges income (audited)

	2022-23	2021-22
	£000	£000
Discretionary Advice, Catchment Sensitive Farming, HS2 and Wildlife Licensing	4,976	5,028
Income from National Nature Reserves (NNRs)	876	803
Other fees and charges	-	20
<b>Total Income</b>	<b>5,852</b>	<b>5,851</b>

## Analysis of fees and charges (audited)

Discretionary Advice and Pre-Submission screening:	2022-23	2021-22	2020-21
	£000	£000	£000
Income	4,976	5,028	4,326
Expenditure	(4,993)	(5,027)	(4,375)
<b>Surplus / (Deficit)</b>	<b>(17)</b>	<b>1</b>	<b>(49)</b>

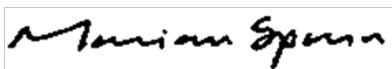
The above table shows that Natural England has under recovered costs by £17k in 2022-23. This under recovery will be carried forward to 2023-24 to ensure that fees and charges breakeven over a three-year rolling period.

## Government functional standards

Government has established a suite of management standards that promote consistent and coherent ways of working across government, and provide a stable basis for assurance, risk management and capability improvement. They support value for money for the taxpayer and continuity of implementation. These 14 functional standards are mandated for use across central government. The suite of standards and associated guidance can be found at:

[GOV.UK/government/collections/functional-standards](https://gov.uk/government/collections/functional-standards).

Natural England and Defra group Corporate Services work closely together as part of the service delivery model. Jointly they ensure compliance assessments are in place for relevant Functional Standards which are used to assess future development areas. The continuous improvement assessment framework sets out different levels of maturity against the most important aspects of each functional standard – from the minimum (good), to better and best. Assessments have shown that for services received, just under half of Functional Standards are rated in the “Good” or “Better” rating category.



Marian Spain

Chief Executive  
Natural England

27 November 2023

# The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

## Opinion on financial statements

I certify that I have audited the financial statements of Natural England for the year ended 31 March 2023 under the Natural Environment and Rural Communities Act 2006.

The financial statements comprise Natural England's:

- Statement of Financial Position as at 31 March 2023;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

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

In my opinion, the financial statements:

- give a true and fair view of the state of Natural England's affairs as at 31 March 2023 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.

## Opinion on regularity

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

## Basis for opinions

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

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of 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 is anticipated that the services which they provide will continue into the future.

## **Other information**

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

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

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

I have nothing to report in this regard.

## **Opinion on other matters**

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with 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 Reports.

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

- Adequate accounting records have not been kept by Natural England or returns adequate for my audit have not been received from branches not visited by my staff; or



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

## **Responsibilities of the Board and the 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;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within Natural England from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with Secretary of State directions made under the Natural Environment and Rural Communities Act 2006;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with Secretary of State directions made under the Natural Environment and Rural Communities Act 2006; 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 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, I:

- considered the nature of the sector, control environment and operational performance including the design of Natural England's accounting policies.
- inquired 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 on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including Natural England's controls relating to Natural England's compliance with the Natural Environment and Rural Communities Act 2006 and Managing Public Money;
- inquired of management, Natural England's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team including the 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.

I obtained an understanding of Natural England's framework of authority and other legal and regulatory frameworks in which Natural England operate. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of 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 Legislation.

I considered how Natural England had sought to address my disagreement with Natural England over the accounting treatment applied to revenue recognition from the District Level Licensing scheme reported in my certificate and report for the year ended 31 March 2022.

### Audit response to identified risk

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

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business

rationale of any significant transactions that are unusual or outside the normal course of business; and

- I evaluated the revised accounting policy for recognition of revenue from the District Level Licensing scheme against the requirements of accounting standards and for consistency with my understanding of how the scheme operates.

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

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

### **Other auditor's responsibilities**

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

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

### **Report**

The matters which led to the qualification of my opinion on the financial statements for the year ended 31 March 2022 have been addressed and the prior period comparative figures re-stated, as explained in Note 2 to the financial statements.

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

**Date: 1 December 2023**

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 2023

		<b>2022-23</b>	<b>2021-22 Restated</b>
	Note/ Ref	<b>£000</b>	<b>£000</b>
Revenue from contracts with customers (note i)	5.1	(19,504)	(24,508)
Other operating income	5.2	(6,400)	(7,418)
<b>Total income</b>		<b>(25,904)</b>	<b>(31,926)</b>
Staff costs	4	125,265	97,540
Other costs (note ii)	4	18,536	10,605
Depreciation, Amortisation and Impairment	4	4,044	5,764
Other Non Cash items	4	35,362	40,171
Grants and subsidies	4	20,586	15,044
Programme expenditure (note ii)	4	41,610	33,359
<b>Total operating costs</b>		<b>245,403</b>	<b>202,483</b>
<b>Net operating costs</b>		<b>219,499</b>	<b>170,557</b>
Interest receivable		(158)	(1)
Interest payable	15.4	46	-
<b>Net expenditure</b>		<b>219,387</b>	<b>170,556</b>
<b>Other comprehensive net expenditure</b>			
<b>Items that will not be reclassified to net operating costs</b>			
Net (gain)/loss on			
Revaluation of PPE	SOCTE	(928)	(3,534)
Revaluation of Heritage Assets	SOCTE	(6,025)	(17,266)
Revaluation of inventories	SOCTE	-	(72)
Pension actuarial movements	SOCTE	(189)	21
Revaluation of right of use assets	SOCTE	(125)	-
<b>Total comprehensive net expenditure for the year</b>		<b>212,120</b>	<b>149,705</b>

Notes:

- i. 2021-22 has been restated due to a prior year adjustment for Great Crested Newt District Level Licencing relating to the change in point for income recognition, reversal of deferred income and establishment of a provision. Further details can be found at note 2.
- ii. Science and Evidence monitoring surveillance costs to the value of £13.1m were previously included in the SoCNE under other costs but have been recategorized to sit under Programme expenditure.

The accounting policies and notes on pages 80-116 form part of these financial statements.

# Statement of Financial Position

as at 31 March 2023

		31 March 2023	31 March 2022
	Note	£000	Restated £000
<b>Non-current assets</b>			
Property, plant and equipment	6.1	40,742	20,682
Right of use assets	15.1	4,891	-
Heritage assets	7	106,860	94,759
Agricultural assets		115	141
Intangible assets	6.2	12,691	2,777
Trade, other receivables and contract assets	11	731	907
<b>Total non-current assets</b>		<b>166,030</b>	<b>119,266</b>
<b>Current assets</b>			
Assets classified as held for sale	10	3,198	-
Inventories		116	116
Trade, other receivables and contract assets	11	21,874	28,412
Cash and cash equivalents	12	15,808	23,760
<b>Total current assets</b>		<b>40,996</b>	<b>52,288</b>
<b>Total assets</b>		<b>207,026</b>	<b>171,554</b>
<b>Current liabilities</b>			
Trade, other payables and contract liabilities	13 & 15	(65,567)	(49,400)
Provisions	14	(2,272)	(4,511)
Pension provision	14	(9)	(16)
Lease Liability	15.2	(501)	-
<b>Total current liabilities</b>		<b>(68,349)</b>	<b>(53,927)</b>
<b>Non-current assets plus/less net current assets/liabilities</b>		<b>138,677</b>	<b>117,627</b>
<b>Non-current liabilities</b>			
Provisions	14	(6,279)	(4,920)
Pension provision	14	(104)	(300)
Lease Liability	15.2	(3,961)	-
<b>Total non-current liabilities</b>		<b>(10,344)</b>	<b>(5,220)</b>
<b>Assets less liabilities</b>		<b>128,333</b>	<b>112,407</b>
<b>Taxpayers' equity and other reserves</b>			
General fund	SOCTE	44,395	35,160
Revaluation reserve	SOCTE	83,938	77,247
<b>Total equity</b>		<b>128,333</b>	<b>112,407</b>

2021-22 has been restated due to a prior year adjustment for Great Crested Newt District Level Licencing relating to the change in point for income recognition, reversal of deferred income and establishment of a provision. Further details can be found at note 2.

The accounting policies and notes on pages 80-116 form part of these financial statements.



Marian Spain  
Accounting Officer and Chief Executive

27 November 2023

# Statement of Cash Flows

for the year ended 31 March 2023

	Note	2022/23 £000	2021/22 Restated £000
<b>Cash flows from operating activities</b>			
Net operating cost	SOCNE	(219,499)	(170,557)
Adjustments for non-cash transactions	Note ii.	2,938	12,833
Notional Corporate Services Recharge		36,461	33,102
(Increase)/Decrease in trade and other receivables	11	6,714	(17,544)
Increase/(Decrease) in trade payables	13	16,167	20,052
Use of provisions (note)	14	-	(773)
<b>Net cash outflow from operating activities</b>		<b>(157,219)</b>	<b>(122,887)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6.1	(20,710)	(8,078)
Purchase of intangible assets	6.2	(10,006)	(2,696)
Purchase of non-current heritage assets	7	(6,653)	(1,745)
Purchase of assets held for sale		(3,198)	-
Proceeds of disposal of property, plant and equipment		178	142
Proceeds of disposal of agricultural biological assets		26	-
<b>Net cash outflow from investing activities</b>		<b>(40,363)</b>	<b>(12,377)</b>
<b>Cash flows from financing activities</b>			
Capital payment of lease liabilities	15	(482)	-
Grant in Aid income received by NDPBs (GF)	SOCTE	190,000	149,000
Interest received		158	-
Interest paid (IFRS 16)		(46)	1
<b>Net financing</b>		<b>189,630</b>	<b>149,001</b>
<b>Net increase/(decrease) in cash in the period</b>		<b>(7,952)</b>	<b>13,737</b>
Cash and cash equivalents at the beginning of the year	12	<b>23,760</b>	<b>10,023</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>12</b>	<b>15,808</b>	<b>23,760</b>

## Notes:

- i. 2021-22 has been restated due to a prior year adjustment for Great Crested Newt District Level Licencing relating to the change in point for income recognition, reversal of deferred income and establishment of a provision. Further details can be found at note 2.
- ii. For the current period use of provisions is included within 'adjustments for non-cash transactions' but was presented as a separate line in the prior period.

The accounting policies and notes on pages 80-116 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 2023

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2022 Restated	2	35,160	77,247	112,407
IFRS16 Initial Recognition	15.3	1,531	-	1,531
Restated balance at 1 April 2022		36,691	77,247	113,938
Grant in Aid income received by NDPBs		190,000	-	190,000
Net expenditure after interest	SOCNE	(219,387)	-	(219,387)
<b>Non-cash adjustments</b>				
Notional Corporate Services Recharge	4	36,461	-	36,461
New peppercorn lease		54	-	54
<b>Movements in reserves</b>				
Other revaluation of tangible assets	8	-	7,078	7,078
Pension actuarial (gain)/loss	SOCNE	189	-	189
Transfers between reserves		387	(387)	-
<b>Balance at 31 March 2023</b>		<b>44,395</b>	<b>83,938</b>	<b>128,333</b>

Note: The restated opening balance relates to the initial recognition of Right of Use assets and lease liabilities, using the accounting treatment prescribed in IFRS 16 Accounting for Leases, which was adopted for the first time in the period ending 31 March 2023.

# Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2022

	Note	General Fund Restated £000	Revaluation Reserve £000	Total Reserves Restated £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	(170,556)	-	(170,556)
<b>Non-cash adjustments</b>				
Notional Corporate Services Recharge	4	33,102	-	33,102
<b>Movements in reserves</b>				
Other revaluation of tangible assets	8	-	20,872	20,872
Pension actuarial (gain)/loss	SOCNE	(21)	-	(21)
Transfers between reserves		1,122	(1,122)	-
<b>Balance at 31 March 2022 Restated</b>		<b>35,160</b>	<b>77,247</b>	<b>112,407</b>

Key: SOCNE = Statement of Comprehensive Net Expenditure

Note: 2021-22 has been restated due to a prior year adjustment for Great Crested Newt District Level Licencing relating to the change in point for income recognition, reversal of deferred income and establishment of a provision. Further details can be found at note 2

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.

The accounting policies and notes on pages 80-116 form part of these financial statements



# Notes to the financial statements

## 1. Statement of accounting policies

### Basis of accounting

These Financial Statements have been prepared in accordance with the 2022-23 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. This involved visiting and inspecting the majority of the portfolio of assets.

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. In this instance site visits and inspections are only required for those assets which have had material change (for example additions or impairments) since they were last inspected. The majority of this exercise is desk based, utilising the individual asset schedules for each asset from the full revaluation exercise. These asset schedules are reviewed and revised as necessary to ensure they remain correct (for example in terms of land size, usage, and other characteristics) and accurately reflect the asset and its condition. The fair value of these assets are then considered in light of any newly available market intelligence and if necessary, revised accordingly.

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; and
- *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. A suitable comparative site is not easily found due to the specific features and unique qualities on any given site (for example Sites of Special Scientific Interest or Areas of Outstanding Natural Beauty). 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 2022-23 it was identified that there was increased subjectivity around nine of our assets (to the value of £8.9m) due to limited comparable market evidence (further details are set out in note 1.7.1). These are the same nine assets as those identified in 2021-22.

For these nine assets, where there is limited or no comparable market evidence, these have been valued using the depreciated replacement reinstatement value of similar properties in the market. It is Natural England's judgement that this is appropriate for 2022-23 and does not materially impact the overall value estimated.

### **1.1.2 Employee benefit annual leave accrual**

Natural England accounts for unused annual leave are based on the annual leave period which ran from 1 January 2022 to 31 December 2022. Actual figures are collated from across the whole organisation and are then used as a proxy for unused annual leave as at 31 March 2023 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.

### **1.1.3 Provisions**

Provisions include an estimate of future liabilities based on information available when the accounts are approved. For the DLL Newts provision, the future liability is based on the costs that have been included in the latest DLL pond fee which are detailed, recent and reliable cost estimates for delivering a pond and their maintenance over a 25-year period. The review of this fee level follows a standard process, in line with HM Treasury's Managing Public Money.

## **1.2 Accounting convention**

### **1.2.1 Accruals**

These accounts have been prepared on an accruals 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.

## 1.2.2 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 2023 shows taxpayer's equity of £128.3m (at 31 March 2022 £112.4m restated). 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 2023-24 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 a confirmed allocation for 2023-24 and an indicative allocation for 2024-25.

GiA formed 88% of our 2022-23 funding (see page 34). Of the remaining 12% (£25.9m), £19.5m was income from customers (see page 99). Some of this is supported by multi-year contracts so we expect income from this source to continue going forward. In 2023-24 budgeted income from Customers is £12.6m, of this £6.6m is expected from Discretionary Advice and Pre-Submission Screening, with the remaining £6m from District Level Licencing Newts. Other operating income (Heritage Lottery and EU Funding) is estimated at £11.3m.

Based on the above information it has been assessed that Natural England has sufficient resources to cover expected expenditure until at least 31 March 2025 (date covered by indicative spending allocations). 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.

## 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). Operational heritage land and other land and buildings must be valued externally. All land and building assets have been valued by external valuers in 2022-23 as at 31 March 2023 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, then 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

Intangible assets are defined as identifiable non-monetary assets without physical substance. These comprise software licences and internally developed IT software, including assets under construction. Intangible assets under construction are not amortised or revalued until the asset concerned is brought into service.

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

Internally developed software is capitalised at purchase cost where this exceeded capitalisation thresholds and these include internal employee and contractor direct costs attributable to the projects. These assets are only revalued 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 to write off the cost or valuation of each asset on a straight-line basis over its expected useful life:

Software licenses	5 years
Internally Developed software	Up to 15 years

The standard write-off period for software licences is five years although alternative lives may be used where relevant information is available to ascribe a more appropriate expected useful life. Internally developed software is assigned a useful life based on the period over which Natural England expects to obtain economic benefits or service potential from the software.

## 1.6 Research and development

All our development and research expenditure is written off in-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. Natural England fulfils a stewardship role in respect of NNRs, 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.

Since 2010, Natural England's heritage assets 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. The last full quinquennial valuation was undertaken as at 31 March 2022. 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 must 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 2022-23 the net increase in valuation for heritage assets was £5.4m (note 7 gives further details). There were ten NNR sites over the full heritage asset estate where parts of the site were subject to higher levels of valuation uncertainty (£10.0m in total), due to limited comparable market evidence. Nine of these were the same assets that were subject to this increased subjectivity in 2021-22, but an additional inter-tidal estuary mud flats and foreshore asset has been identified as being subject to higher levels of valuation uncertainty in 2022-23:

- Peatland – five assets (£6.7m)
- Coastal sand dunes, beaches, and foreshores – three assets (£0.5m)
- Heathland – one asset (£1.7m)

- Inter-tidal estuary mud flats and foreshore – one asset (£1.1m)

Any surplus or deficit on valuation of the NNRs compared to their historic cost is recognised in the revaluation reserve - any downward revaluation is only recorded in the revaluation reserve to the extent of the available balance resulting from previous upward revaluations. If there is no balance on the revaluation reserve a downward revaluation charge would be made to the SoCNE.

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 Assets held for sale**

These intangible assets held for sale by Natural England represent credits linked to the Nutrient Neutrality Mitigation scheme. They are measured at the lower of carrying amount and fair value less costs to sell and there is no depreciation. These assets are available for immediate sale in their present condition and the carrying amount of these assets are principally recovered through a sale transaction rather than through continuing use. The sale of these assets is normally expected to complete within one year from the date of classification.

## 1.11 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 2022-23 there was no liability for Corporation Tax (2021-22, nil).

## 1.12 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.

## 1.13 Grant in Aid (GiA)

Grant in Aid receipts are treated as financing received from a controlling party (Defra). The receipts are treated as financing transactions and credited directly to the general reserve in the Statement of Changes in Taxpayer's Equity.

## 1.14 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.

## 1.15 Grant expenditure

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.

Natural England also has responsibility for administering and issuing grants for a number of specific schemes and projects (for example the Nature for Climate Peatland Grant Scheme; Shared Outcome Fund Nature Based Solutions scheme; EU Life and Heritage Lottery Fund projects). The grants are recognised in the financial statements when Natural England has a present obligation to the grantee as a result of it meeting the entitlement conditions set out in the grant agreement and it can form a reliable estimate of the expenditure.

## 1.16 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. This includes income from Great Crested Newts District Level Licencing, our Discretionary Advice Service, contributions from conservation partners and income from National Nature Reserves.

IFRS 15 includes a requirement to report the following:

- **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.
- **Great Crested Newts District Level Licencing contract Assets** – these are recognised when a performance obligation is satisfied at a point in time when Natural England completes and issues the customer (Developer) with a counter-signed Impact Assessment and Conservation Payment certificate (IACPC). This issuing of this counter-signed certificate is the point at which Natural England agrees to accept in full the developer’s legal obligations to provide appropriate mitigating activities required under the ‘Conservation of Habitats and Species Regulations 2017.
- **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. The main performance obligation policies are further explained within Note 5.1.

*Other operating income* excluded from IFRS 15 includes grant income 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.

## **1.17 Cash and cash equivalents**

Natural England uses the Government Banking Service (GBS – see note 12 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.

## **1.18 Short term investments**

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

## **1.19 Treatment of foreign exchange differences**

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

## **1.20 Employee benefits**

### **1.20.1 Pension arrangements**

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



an unfunded, defined benefit scheme. It is not possible for Natural England to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme. Employer's pension costs contributions are charged to the Statement of Changes in Net Expenditure on an accruals basis.

Natural England recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits the employees' services by payment to the PCSPS/alpha of amounts calculated on an accruing basis. Liability for the payment of future benefits is a charge on the PCSPS/alpha.

In respect of the defined contribution schemes, Natural England recognises the contributions payable for the year.

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

### **1.20.2 Early departure costs**

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

### **1.20.3 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.

## **1.21 Leases**

### **1.21.1 Natural England as a lessee**

Natural England has implemented IFRS 16 with effect from 1 April 2022, using the adaptations and interpretations set out by HM Treasury in the 2022-2023 FReM. As mandated by the FReM a cumulative catch-up basis has been used and prior year comparatives have not been restated.

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

The Statement of Comprehensive Net Expenditure (SoCNE) reflects related charges for the depreciation on the right of use asset and interest on the lease liability in place of rental expenses. It continues to reflect irrecoverable VAT where applicable on any leases in line with HM Treasury

guidance on the application of IFRS 16 Leases which states that VAT should not form part of the initial measurement of the right of use asset.

This treatment has been applied to all leases except those which are short-term (less than 12 months). These continue to be treated as expenses on a straight-line basis in the SoCNE for the duration of the lease term.

The definition of a contract is expanded in the FReM to include intra UK government agreements such as Memorandum of Terms of Occupation. The FReM also expands the definition of a lease to those with nil consideration, or significantly below market value, such as those known as peppercorn leases. For peppercorn leases, we have obtained a professional valuation of the asset from an appropriately qualified professional. On transition the difference between the discounted lease liability and right of use asset for peppercorn leases is included as an adjustment to the opening balance of taxpayers' equity.

For leases where we are still in occupation after the end of the lease and are "holding over", professional judgement has been applied to estimate a reasonable length for the term when calculating lease liabilities and right of use asset valuations. There are 20 leases where the end date relies on professional judgement, with 15 of these being a term of 5 years or less. The remaining ones are where we expect to remain in occupation in the longer term but are not expecting to negotiate a revised arrangement. The leases with longer assumptions all have a low annual rent below £6,000 per annum.

The practical expedient specified in IFRS 16 C3 has been mandated by HM Treasury and we have therefore not reassessed whether contracts contain a lease, instead transitioning former operating leases to treatment as a Right of Use Asset and lease liability. However, peppercorn leases have been included in line with HM Treasury adaptations and the exemptions for low value or short-term leases may be applied where appropriate.

The following practical expedients have also been applied following IFRS16 paragraph C10:

- Reliance on the assessment of whether any leases are onerous immediately before the date of initial application as an alternative to performing an impairment review. No leases in Natural England were onerous at 31 March 2022.
- Initial direct costs are excluded from the measurement of the right-of-use asset at the date of initial application. Hindsight in determining the lease term where the contract contains options to extend or terminate the lease will be used where appropriate. The professional judgement of Land Agents within Natural England has been used to estimate lease term where required.

Where the interest rate cannot be readily determined within a lease, Natural England has calculated the lease liability using the discount rates set out in the latest HM Treasury's Public Expenditure System paper as the incremental borrowing rate which for the 2022 calendar year is 0.95% and 3.51% for 2023. The rate used on Initial recognition as at 1 April 2022 was 0.95% and then any new leases entered into before 1 January 2023 were also at this same rate. New leases entered into after 1 January 2023 were at the new rate of 3.51%. The weighted average lessee incremental borrowing rate applied on transition is 0.95% as the HM Treasury rate has been used for all lease liabilities on land and buildings.

For leases previously treated as finance leases the carrying value is the same under IFRS16 as it was under IAS17.

The subsequent measurement of right of use assets is 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 have been determined by appropriately qualified professionals in accordance with RICS Guidance.

If a sub-lease is judged to be a finance lease, Natural England would derecognise the right of use asset and recognise a receivable for the net investment in the finance lease equivalent to discounted future income. However, Natural England have only sub-leases classed as operating leases currently.

### **1.21.2 Natural England as a lessor**

Lessor accounting is largely unchanged by IFRS 16 with lessors continuing to distinguish finance and operating leases. All leases where Natural England are the Lessor have been classed as operating leases as they do not transfer substantially all the risks and economic benefits of the underlying asset.

Occupation of the corporate estate by Defra group bodies is on a flexible shared basis with very few formal occupancy agreements in place between the leaseholder (either core department or the Environment Agency) and the occupant. Corporate estate leases will therefore be recognised in full by the legal leaseholder unless there is a formal arrangement in place.

## **1.22 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. Provisions are calculated based on the present value of the estimated cost of satisfying the obligation.

## **1.23 Contingent liabilities**

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

## **1.24 Notional corporate services recharges**

Commencing from 1 April 2015 Defra Corporate Service costs for the following services: 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 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.

## **1.25 Impending application of newly issued accounting standards not yet effective**

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

- **IFRS 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, to be introduced into the FReM with an effective date of 1 April 2025 (2025-26).

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 evaluate 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. Prior period adjustment

Prior period adjustments have been made for the following reasons:

- 1) The District Level Licencing (DLL) Great Crested Newts (GCN) scheme commenced in 2019-20, there are three types of income for the scheme, admin enquiry fee, conservation payment and licence fee. Up to 2021-22 the admin enquiry fee and licence fee were recognised at an up-front point of time, the conservation payment which covers the cost of creating and 25 years of monitoring and maintenance of ponds was deferred and recognised over time as Natural England created ponds and performed the monitoring and maintenance. At the 2021-22 year-end the accounting treatment of the conservation payment was challenged, on the basis that conservation payment income should be recognised immediately as from the customer's perspective there was an immediate benefit from receiving documents (a counter signed certificate) which allowed planning consent to be obtained. As a result, the audit report on the 2021-22 accounts was qualified. Natural England instigated a review with a wide range of parties to resolve the accounting issue for future years. As a result of this review, it has been agreed that the conservation payment income should be recognised up front at the point that counter-signed certificates are issued, recognising that from the customers perspective their obligations on habit harm mitigation have been passed to Natural England. As a result of the correction of the prior year's incorrect accounting treatment, restatement of the prior period is required. The impact on 2020-21 (additional income accrual £1.4m; release of deferred income £1.3m; provision £1.4m) and 2019-20 (additional income accrual £0.7m; release of deferred income £0.5m; provision £0.4m) have been assessed as immaterial, so corrections are through the 2021-22 financial year and encompass the following:
  - Additional income accrual - The total of newly recognised income due to the change in recognition point is £14.1m, of this £8.7m (of which £7.8m will be due within one year and £0.9m after more than one year) is a prior year adjustment and the balance of £5.3m (of which £4.6m will be due within one year and £0.7m after more than one year) relates to the current year. The accrued income representing the conservation payment receipt is recognised immediately at the point Natural England issues a counter-signed certificate to the Developer and in doing so accepts and takes on the Developer's legal obligations in respect of mitigating the impact of a specific development on the GCN population. The income will be invoiced in the future once the Developer has secured planning consent so will show as an income accrual.
  - A provision for the future costs of the commitments made by Natural England was omitted at the end of 2021-22. A present obligation exists for these liabilities and as a result a provision of £5.7m has been created for future committed habitat costs. Of this £5.7m, £0.8m would be due no later than a year and the balance of £4.9m due after one year and:
  - Release of deferred income (£5.4m) as income was incorrectly deferred and is to be recognised immediately.
- 2) Science and Evidence monitoring surveillance costs to the value of £13.1m were previously included in the SoCNE under other costs but have now been voluntarily reclassified and represented to sit under Programme expenditure as these activities are managed as Programme expenditure on the ground. Note 4 now highlights these costs on an individual line under Programme expenditure.

The following key statements have been prepared to illustrate the impact of the prior year restatements and representation.

## Statement of Comprehensive Net Expenditure

	As previously reported 2021/22	Adjustments	2021/22 Restated
	£000	£000	£000
Revenue from contracts with customers (note 1)	(10,369)	(14,139)	(24,508)
Other operating income	(7,418)	-	(7,418)
<b>Total income</b>	<b>(17,787)</b>	<b>(14,139)</b>	<b>(31,926)</b>
Staff Costs	97,540	-	97,540
Other Costs (note 2)	23,656	(13,051)	10,605
Depreciation, Amortisation and Impairment	5,764	-	5,764
Other Non Cash items (note 1)	34,432	5,739	40,171
Grants and Subsidies	15,044	-	15,044
Programme expenditure (note 2)	20,308	13,051	33,359
<b>Total operating costs</b>	<b>196,744</b>	<b>5,739</b>	<b>202,483</b>
<b>Net operating costs</b>	<b>178,957</b>	<b>(8,400)</b>	<b>170,557</b>
Interest receivable	(1)	-	(1)
Interest payable ROU	-	-	-
<b>Net expenditure</b>	<b>178,956</b>	<b>(8,400)</b>	<b>170,556</b>
<b>Other comprehensive expenditure</b>			
<b>Items that will not be reclassified to net operating costs</b>			
Net (gain)/loss on			
Revaluation of PPE	(3,534)	-	(3,534)
Revaluation of Heritage Assets	(17,266)	-	(17,266)
Revaluation of inventories	(72)	-	(72)
Pension actuarial movements	21	-	21
<b>Total comprehensive net expenditure for the year</b>	<b>158,105</b>	<b>(8,400)</b>	<b>149,705</b>

## Statement of Financial Position

	As previously reported as at 31 March 2022	Adjustments	31 March 2022 Restated
	£000	£000	£000
<b>Non-current assets</b>			
Property, plant and equipment	20,682	-	20,682
Heritage assets	94,759	-	94,759
Agricultural assets	141	-	141
Intangible assets	2,777	-	2,777
Trade, other receivables and contract assets	-	907	907
<b>Total non-current assets</b>	<b>118,359</b>	<b>907</b>	<b>119,266</b>
<b>Current assets</b>			
Inventories	116	-	116
Trade, other receivables and contract assets	20,595	7,817	28,412
Cash and cash equivalents	23,760	-	23,760
<b>Total current assets</b>	<b>44,471</b>	<b>7,817</b>	<b>52,288</b>
<b>Total assets</b>	<b>162,830</b>	<b>8,724</b>	<b>171,554</b>
<b>Current liabilities</b>			
Trade, other payables and contract liabilities	(54,815)	5,415	(49,400)
Provisions	(3,692)	(819)	(4,511)
Pension provision	(16)	-	(16)
Lease Liability	-	-	-
<b>Total current liabilities</b>	<b>(58,523)</b>	<b>4,596</b>	<b>(53,927)</b>
<b>Non-current assets plus/less net current assets/liabilities</b>	<b>104,307</b>	<b>13,320</b>	<b>117,627</b>
<b>Non-current liabilities</b>			
Net pension liability	(300)	-	(300)
Provisions	-	(4,920)	(4,920)
<b>Total non-current liabilities</b>	<b>(300)</b>	<b>(4,920)</b>	<b>(5,220)</b>
<b>Assets less liabilities</b>	<b>104,007</b>	<b>8,400</b>	<b>112,407</b>
<b>Taxpayers' equity and other reserves</b>			
General fund	26,760	8,400	35,160
Revaluation reserve	77,247	-	77,247
<b>Total equity</b>	<b>104,007</b>	<b>8,400</b>	<b>112,407</b>

## Statement of Cashflow

	As previously reported 2021/22	Adjustments	2021/22 Restated
	£000		£000
<b>Cash flows from operating activities</b>			
Net operating cost (restated)	(178,957)	8,400	(170,557)
Adjustments for non-cash transactions	7,094	5,739	12,833
Notional Corporate Services Recharge	33,102		33,102
(Increase)/Decrease in trade and other receivables	(8,820)	(8,724)	(17,544)
Increase/(Decrease) in trade payables	25,467	(5,415)	20,052
Use of provisions	(773)		(773)
<b>Net cash outflow from operating activities</b>	<b>(122,887)</b>	<b>-</b>	<b>(122,887)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(8,078)	-	(8,078)
Purchase of intangible assets	(2,696)	-	(2,696)
Purchase of non-current heritage assets	(1,745)	-	(1,745)
Purchase of assets held for sale	-	-	-
Proceeds of disposal of property, plant and equipment	142	-	142
Proceeds of disposal of agricultural biological assets	-	-	-
<b>Net cash outflow from investing activities</b>	<b>(12,377)</b>	<b>-</b>	<b>(12,377)</b>
<b>Cash flows from financing activities</b>			
Capital payment of lease liabilities	-	-	-
Grant in Aid income received by NDPBs (GF)	149,000	-	149,000
Interest received	-	-	-
Interest paid (IFRS 16)	1	-	1
<b>Net financing</b>	<b>149,001</b>	<b>-</b>	<b>149,001</b>
<b>Net increase/(decrease) in cash in the period</b>	<b>13,737</b>	<b>-</b>	<b>13,737</b>
Cash and cash equivalents at the beginning of the year	<b>10,023</b>	<b>-</b>	<b>10,023</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>23,760</b>	<b>-</b>	<b>23,760</b>

## Statement of Changes in Taxpayers' Equity

	As previously reported 2021/22	General fund adjustment	General Fund Restated	Revaluation Reserve	Total Reserves Restated
	£000		£000	£000	£000
Balance at 31 March 2021	22,513		22,513	57,497	80,010
Grant in Aid income received by NDPBs	149,000	-	149,000	-	149,000
Net expenditure after interest	(178,956)	8,400	(170,556)	-	(170,556)
<b>Non-cash adjustments</b>					
Notional Corporate Services Recharge	33,102	-	33,102	-	33,102
<b>Movements in reserves</b>					
Other revaluation of tangible assets	-	-	-	20,872	20,872
Pension actuarial (gain)/loss	(21)	-	(21)	-	(21)
Transfers between reserves	1,122	-	1,122	(1,122)	-
<b>Balance at 31 March 2022 Restated</b>	<b>26,760</b>	<b>8,400</b>	<b>35,160</b>	<b>77,247</b>	<b>112,407</b>



### 3. 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.

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

### 3.1 Statement of Comprehensive Net Expenditure for the year ended 31 March 2023 by operating segment:

	Legal, Governance & External Affairs		Operations	Chief Scientist	Strategy and Government Advice	Business Management and Change	TOTAL
	Internal	Defra Recharges					
	£000	£000	£000	£000	£000	£000	£000
Revenue from contracts with customers	(6,430)	-	(12,060)	(419)	(358)	(237)	(19,504)
Other operating income	(282)	-	(5,869)	-	(249)	-	(6,400)
<b>Total Operating income</b>	<b>(6,712)</b>	<b>-</b>	<b>(17,929)</b>	<b>(419)</b>	<b>(607)</b>	<b>(237)</b>	<b>(25,904)</b>
Staff costs	5,630	-	71,997	21,722	20,134	5,782	125,265
Other operating Costs	2,630	-	7,174	2,519	4,030	2,183	18,536
Other non cash items	-	36,461	(1,099)	-	-	-	35,362
Impairment	2,422	-	-	-	-	-	2,422
Depreciation and amortisation	1,066	-	-	-	-	-	1,066
Depreciation on right of use assets	-	-	556	-	-	-	556
Programme and Grant Expenditure	116	-	28,334	10,975	22,737	34	62,196
<b>Total Expenditure</b>	<b>11,864</b>	<b>36,461</b>	<b>106,962</b>	<b>35,216</b>	<b>46,901</b>	<b>7,999</b>	<b>245,403</b>
Interest receivable	(158)	-	-	-	-	-	(158)
Interest payable (IFRS 16)	46	-	-	-	-	-	46
<b>Net Expenditure</b>	<b>5,040</b>	<b>36,461</b>	<b>89,033</b>	<b>34,797</b>	<b>46,294</b>	<b>7,762</b>	<b>219,387</b>

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

	Legal, Governance & External Affairs		Operations	Chief Scientist	Strategy and Government Advice	Business Management and Change	TOTAL
	Internal	Defra Recharges					
	Restated £000	Restated £000	Restated £000	Restated £000	Restated £000	Restated £000	Restated £000
Revenue from contracts with customers	-	-	(24,069)	(351)	(88)	-	(24,508)
Other operating income	(151)	-	(6,095)	(14)	(1,158)	-	(7,418)
<b>Total Operating income</b>	<b>(151)</b>	<b>-</b>	<b>(30,164)</b>	<b>(365)</b>	<b>(1,246)</b>	<b>-</b>	<b>(31,926)</b>
Staff costs	5,230	-	57,392	13,209	17,317	4,392	97,540
Other operating Costs	714	-	3,744	3,041	1,510	1,596	10,605
Other non cash items	5,452	33,102	5,834	-	-	-	44,388
Impairment	-	-	633	-	-	-	633
Depreciation and amortisation	914	-	-	-	-	-	914
Programme and Grant Expenditure	70	-	23,479	9,230	15,604	20	48,403
<b>Total Expenditure</b>	<b>12,380</b>	<b>33,102</b>	<b>91,082</b>	<b>25,480</b>	<b>34,431</b>	<b>6,008</b>	<b>202,483</b>
<b>Net Expenditure</b>	<b>12,229</b>	<b>33,102</b>	<b>60,918</b>	<b>25,115</b>	<b>33,185</b>	<b>6,008</b>	<b>170,557</b>

## 4. Expenditure

	31 March 2023	31 March 2022
		Restated
	£000	£000
<b>Staff Costs</b>		
Wages and Salaries	93,839	73,552
Social Security Costs	9,312	7,180
Other Pension Costs	23,564	18,612
Less recoveries in respect of outward secondments	(1,450)	(1,804)
<b>Staff Costs</b>	<b>125,265</b>	<b>97,540</b>
<b>Other Costs</b>		
Travel, subsistence and hospitality	4,521	2,032
Estate management	1,272	886
Stationery & printing	93	47
Internal audit fees	331	165
Transport & plant costs	1,016	862
Credit Losses	21	22
SSCL shared service charges	22	127
Other professional Services	2,352	1,765
IT Costs	3,772	2,398
Training & Development	2,228	1,317
Professional memberships	121	123
Protective clothing, lab and safety equipment	187	56
Other Operating costs	2,600	805
<b>Non-cash items</b>		
Depreciation	974	858
Depreciation on right of use assets	556	-
Amortisation	92	56
Revaluation/Impairment on non-current assets	2,422	4,850
Provisions provided for in year/(written back)	2,784	7,004
Provisions utilised in the year	(3,679)	-
Notional Corporate Service Recharges	36,461	33,102
Loss on the disposal of Property, Plant and Equipment	56	207
Profit on the disposal of Property, Plant and Equipment	(260)	(142)
<b>Programme</b>		
Grant Expenditure	20,586	15,044
Short term and low value leases & other NNR agreements	314	742
Science & Evidence Monitoring Surveillance	10,113	13,051
Research and development	12,870	8,885
Legal	1,194	883
Other programme expenditure	17,119	9,798
<b>Total</b>	<b>245,403</b>	<b>202,483</b>

## 5. Income

### 5.1 Revenue from contracts with customers

	31 March 2023	31 March 2022
	£000	Restated £000
Discretionary Advice (inc. PSS and undefined scope)	2,411	3,233
Wildlife Incident Investigation Service (WIIS)	346	359
Strategic Access Management and Monitoring (SAMM) agreement	528	458
National Nature Reserves (NNR) income	876	803
Contributions and grants from partners and private sector companies	324	198
Miscellaneous Income	588	277
Great Crested Newt District Level Licensing income	12,131	17,639
Other fees levies and charges	2,300	1,541
<b>Total Revenue from contracts with Customers</b>	<b>19,504</b>	<b>24,508</b>

#### 5.1.1 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 an assessment of our historic bad debt write off rate based on experience to date is immaterial, at less than 1% of revenue from commercial income. On this basis no provision has been recognised for revenue reversals that may occur in future periods on the grounds of materiality. We have therefore recognised all the revenue due under each contract with no adjustments.

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

#### 5.1.2 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. Our contracts largely contain a single PO and the transaction price allocated to each PO is therefore determined by the agreed price in the contract with the customer. All invoices issued are due for payment within 28 days. Natural England has 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. The following table show the different categories of contact that Natural England has with customers and when the associated POs are typically satisfied;

Performance Obligations (PO) typically satisfied at a point in time	
Contract type	When control passes to the customer
Discretionary Advice Service (Inc. PSS) – standard DAS	The PO is satisfied and control passes to the customer when the advice is delivered to them. Revenue is recognised at this point in time.
NNR Income – NNR usage licences, wayleaves, rents etc.	The PO is satisfied and revenue is recognised when the right of use is granted, when control passes to the customer.
NNR Income – timber sales, filming rights, livestock sales etc.	The PO is satisfied and revenue is recognised when the goods or services are delivered under the contract, when control passes to the customer.
Legal receipts	Revenue relates to receipts for fines and penalties arising from infringements by third parties and is recognised at the point in time when the income is received.

<b>Performance Obligations (PO) typically satisfied at a point in time</b>	
<b>Contract type</b>	<b>When control passes to the customer</b>
District Level Licencing – Great Crested Newts (GCN) – Admin Enquiry Fee	<p>Revenue relates to Natural England undertaking an impact assessment which determines the scope and cost of the mitigation activities which might be required for a specific development.</p> <p>The PO is discharged by Natural England when it completes the impact assessment and issues a provisional certificate to the customer (Developer). It is at that point in time that Natural England recognise the revenue.</p>
District Level Licencing – Great Crested Newts – Conservation payment	<p>Revenue relates to the amount's agreed within the final counter-signed Impact Assessment and Conservation Payment certificate (IACPC); the amounts are set to cover Natural England's costs in mitigating activities for the Great Crested Newts. Once Natural England issues a counter-signed Certificate to the customer (Developer) which confirms it has accepted these obligations, Natural England then recognise the revenue.</p>
District Level Licencing – Great Crested Newts – Licence Fee	<p>Revenue relates to Natural England's assessment of whether the customer (Developer) has complied with its legal requirements under the Newts licence scheme.</p> <p>The PO is discharged by Natural England when it issues a licence to the customer (Developer) and it is as that point in time that Natural England should recognise the revenue.</p>
<b>Performance Obligations (PO) typically satisfied over time</b>	
<b>Contract type</b>	<b>Method used and why this faithfully depicts the transfer of control</b>
Discretionary Advice Service – undefined scope contracts	<p>In these contracts advice could be delivered in several discrete packages over the life of the contract, so the PO is satisfied over time and each package is invoiced individually as it is delivered. Revenue is recognised as the advice is delivered to the customer using the input method and timesheet data to support the revenue recognition.</p>
Catchment Sensitive Farming – Water Company contracts	<p>Revenue arises from giving advice to water companies over a defined period of time. Natural England staff effectively work as part of the water company's team. The PO is satisfied as the advice is delivered. We recognise this revenue over time, invoicing quarterly in arrears using the output method evidenced by the passage of time. Where income earned is not yet billed we recognise a contract asset.</p>
High Speed 2 (HS2) contract	<p>Revenue from the HS2 contract relates to giving advice to HS2 Ltd as and when required over the contract period. The PO is satisfied as the advice is delivered and so this revenue is recognised over time using the input method evidenced by timesheet data. The contract with HS2 allows for quarterly billing of equal amounts of the full contract value. Where the work done to date on the contract is less than the billed amount, then we recognise a contract liability and where income earned is not yet billed we recognise a contract asset.</p>
Wildlife Incident Investigation Service (WIIS) contract	<p>Income for the WIIS agreement relates to providing services as and when required over the contract period. Revenue is recognised over time as the service is delivered as this is when the PO is satisfied, using the input method evidenced by timesheet data. The contract with HSE for WIIS allows for quarterly billing in arrears for actual work done. Where income earned is not yet billed we recognise a contract asset.</p>

Performance Obligations (PO) typically satisfied at a point in time	
Contract type	When control passes to the customer
Strategic Access Management and Monitoring (SAMM) agreement	Income for the SAMM agreement relates to providing services as and when required over the contract period, with the contract providing for reimbursement of costs incurred. Revenue is recognised over time as the service is delivered using the input method evidenced by costs incurred to date. The contract allows for quarterly billing in arrears for actual work done. Where income earned is not yet billed we recognise a contract asset.
Contributions from lead partners for EU LIFE and HLF projects	The PO relates to project delivery over a defined period of time. Revenue is recognised over time using the input method on the basis of costs incurred to date, to match income to the project delivery. Revenue earned by fulfilling the performance obligation but not yet received is recognised as a contract asset and any advance payments received but not yet earned are recognised as contract liabilities.

### 5.1.3 Transaction price allocated to remaining performance obligations

As of 31 March 2023, Natural England had one multi-year contract in place that had not completed;

- 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 2023.

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.

### 5.1.4 Great Crested Newt (GCN) District Level Licencing (DLL) scheme

GCN are designated and protected as European protected species under the Conservation of Habitats and Species Regulations 2017. GCN are also listed as a rare and most threatened species under S41 of the Natural Environment and Rural Communities Act 2006. S41 species need to be taken account of as part of any planning decision, and any development needs to comply with the legal protection of GCN. There are [two approaches](#) to comply with the legal protection of GCN;

- the traditional mitigation licences, and
- the District Level Licencing (DLL) approach which is an alternative route aimed at increasing the number of GCNs by providing new or better habitats in targeted areas to benefit their wider population, whilst being a simpler and quicker process for developers compared to the traditional mitigation licence.

The DLL approach operates in certain parts of England, and Natural England are one of several bodies that operate such a scheme. The GCN DLL income in the table above is Developers contributions to Natural England for creating and maintaining DLL ponds over a 25 year period.

A provision has been established to represent the cost of the future years' maintenance liabilities of the ponds and this has been discounted in the relevant year using the HM Treasury agreed rate for that year to show the current value of these liabilities. The Conservation Payment from

Developers will fund this scheme, including this future habitat maintenance, with the overall aim of the DLL approach being to break even over time.

## 5.2 Other operating income

	<b>31 March 2023</b>	<b>31 March 2022</b>
	<b>£000</b>	<b>£000</b>
EU Technical Assistance Funding	-	36
Basic Payment Scheme	648	919
Apprenticeship Levy	282	155
EU Life Grants	3,083	2,823
Heritage Lottery Funding	2,197	3,429
Grants from local government	114	-
Donations	76	56
<b>Total Other Operating Income</b>	<b>6,400</b>	<b>7,418</b>

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

- 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.
- Heritage Lottery Funding is grant income received from the National Lottery for delivering specific environmental projects.

## 6. 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 2022 by Carter Jonas. Please see note 1.1.1 for further details.

## 6.1a Property, plant, and equipment

	Land	Buildings owned	Leasehold Improvements	IT	Furniture & Fittings	Plant & Machinery	Vehicles	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>									
At 1 April 2022	7,335	7,893	(1)	729	2,704	8,168	5,231	1,943	<b>34,002</b>
Other movements	-	-	1	-	-	-	-	-	<b>1</b>
Additions	10,436	1,305	-	-	-	361	103	8,505	<b>20,710</b>
Disposals	(27)	-	-	(11)	(8)	(919)	(247)	-	<b>(1,212)</b>
Impairment (note 8)	(240)	(292)	-	-	-	(4)	-	-	<b>(536)</b>
Reclassifications	-	-	-	-	-	1,018	(1,018)	-	<b>-</b>
Revaluation	312	727	-	-	-	4	(3)	-	<b>1,040</b>
<b>At 31 March 2023</b>	<b>17,816</b>	<b>9,633</b>	<b>-</b>	<b>718</b>	<b>2,696</b>	<b>8,628</b>	<b>4,066</b>	<b>10,448</b>	<b>54,005</b>
<b>Depreciation</b>									
At 1 April 2022	-	2,148	(1)	723	2,337	5,817	2,296	-	<b>13,320</b>
Other movements	-	-	1	-	-	-	-	-	<b>1</b>
Charges in year	-	205	-	2	52	426	289	-	<b>974</b>
Disposals	-	-	-	(11)	(8)	(900)	(230)	-	<b>(1,149)</b>
Impairment (note 8)	-	14	-	-	-	(9)	-	-	<b>5</b>
Reclassifications	-	-	-	-	-	118	(118)	-	<b>-</b>
Revaluation	-	109	-	-	-	5	(2)	-	<b>112</b>
<b>At 31 March 2023</b>	<b>-</b>	<b>2,476</b>	<b>-</b>	<b>714</b>	<b>2,381</b>	<b>5,457</b>	<b>2,235</b>	<b>-</b>	<b>13,263</b>
<b>Net book value 31 March 2023</b>	<b>17,816</b>	<b>7,157</b>	<b>-</b>	<b>4</b>	<b>315</b>	<b>3,171</b>	<b>1,831</b>	<b>10,448</b>	<b>40,742</b>
Net book value 31 March 2022	<b>7,335</b>	<b>5,745</b>	<b>-</b>	<b>6</b>	<b>367</b>	<b>2,351</b>	<b>2,935</b>	<b>1,943</b>	<b>20,682</b>
<b>Assets financing</b>									
Owned	17,816	7,157	-	4	315	3,171	1,831	10,448	<b>40,742</b>
<b>Net book value 31 March 2023</b>	<b>17,816</b>	<b>7,157</b>	<b>-</b>	<b>4</b>	<b>315</b>	<b>3,171</b>	<b>1,831</b>	<b>10,448</b>	<b>40,742</b>

Note: Assets under construction are still under development and hence not yet being depreciated until brought into service.



## 6.1b Property, plant, and equipment

	Land	Buildings owned	Leasehold Improvements	IT	Furniture & Fittings	Plant & Machinery	Vehicles	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>									
At 1 April 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 8)	(847)	(4,555)	-	-	-	-	-	-	(5,402)
Reclassifications	(742)	(101)	(208)	-	206	326	(223)	-	(742)
Revaluation	2,029	1,108	-	3	-	337	90	-	3,567
<b>At 31 March 2022</b>	<b>7,335</b>	<b>7,893</b>	<b>(1)</b>	<b>729</b>	<b>2,704</b>	<b>8,168</b>	<b>5,231</b>	<b>1,943</b>	<b>34,002</b>
<b>Depreciation</b>									
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 8)	-	(298)	-	-	-	-	-	-	(298)
Reclassifications	-	(23)	(3)	-	(40)	66	-	-	-
Revaluation	-	(325)	-	-	-	282	76	-	33
<b>At 31 March 2022</b>	<b>-</b>	<b>2,148</b>	<b>(1)</b>	<b>723</b>	<b>2,337</b>	<b>5,817</b>	<b>2,296</b>	<b>-</b>	<b>13,320</b>
<b>Net book value 31 March 2022</b>	<b>7,335</b>	<b>5,745</b>	<b>-</b>	<b>6</b>	<b>367</b>	<b>2,351</b>	<b>2,935</b>	<b>1,943</b>	<b>20,682</b>
Net book value 31 March 2021	4,315	7,606	307	25	182	1,416	1,003	1,118	15,972
<b>Assets financing</b>									
Owned	7,335	5,745	-	6	367	2,351	2,935	1,943	20,682
<b>Net book value 31 March 2022</b>	<b>7,335</b>	<b>5,745</b>	<b>-</b>	<b>6</b>	<b>367</b>	<b>2,351</b>	<b>2,935</b>	<b>1,943</b>	<b>20,682</b>

## 6.2a Intangible assets

	<b>Purchased Software</b>	<b>Internally Generated Software</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>			
At 1 April 2022	9,548	2,405	11,953
Assets under construction	-	10,006	10,006
<b>At 31 March 2023</b>	<b>9,548</b>	<b>12,411</b>	<b>21,959</b>
<b>Amortisation</b>			
At 1 April 2022	9,176	-	9,176
Charged in year	92	-	92
<b>At 31 March 2023</b>	<b>9,268</b>	<b>-</b>	<b>9,268</b>
<b>Net Book Value at 31 March 2023</b>	<b>280</b>	<b>12,411</b>	<b>12,691</b>
Net Book Value at 31 March 2022	372	2,405	2,777
<b>Assets Financing</b>			
Owned	280	12,411	12,691
<b>Net book value 31 March 2023</b>	<b>280</b>	<b>12,411</b>	<b>12,691</b>

Note: All of the £12.4m Internally generated software is still under development and hence not yet being amortised until brought into service.

## 6.2b Intangible assets

	<b>Purchased Software</b>	<b>Internally Generated Software</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>			
At 1 April 2021	9,578	-	9,578
Additions	291	-	291
Assets under construction	-	2,405	2,405
Disposals	(321)	-	(321)
<b>At 31 March 2022</b>	<b>9,548</b>	<b>2,405</b>	<b>11,953</b>
<b>Amortisation</b>			
At 1 April 2021	9,434	-	9,434
Charged in year	56	-	56
Disposals	(314)	-	(314)
<b>At 31 March 2022</b>	<b>9,176</b>	<b>-</b>	<b>9,176</b>
<b>Net Book Value at 31 March 2022</b>	<b>372</b>	<b>2,405</b>	<b>2,777</b>
Net Book Value at 31 March 2021	144	-	144
<b>Assets Financing</b>			
Owned	372	2,405	2,777
Finance leased	-	-	-
<b>Net book value 31 March 2022</b>	<b>372</b>	<b>2,405</b>	<b>2,777</b>

## 7. Non-current heritage assets

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

As of 31 March 2023 there were 221 NNRs in England covering 105,000 hectares. Natural England manages approximately two thirds 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 £2.9m.

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.

	Operational	Non Operational	Assets under Construction	Total
	£000	£000	£000	£000
At 1 April 2022	2,320	92,439	-	94,759
Additions	-	6,653	-	6,653
Impairment	-	(577)	-	(577)
Revaluation	-	6,025	-	6,025
<b>Net Book Value 31 March 2023</b>	<b>2,320</b>	<b>104,540</b>	<b>-</b>	<b>106,860</b>
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
<b>Net Book Value 31 March 2022</b>	<b>2,320</b>	<b>92,439</b>	<b>-</b>	<b>94,759</b>
At 1 April 2020	3,251	63,835	-	67,086
Prior Year adjustments	-	15	-	15
Additions	-	2,900	-	2,900
Impairment	-	(205)	-	(205)
Reclassifications	-	561	-	561
Revaluation	110	4,242	-	4,352
<b>Net Book Value 31 March 2021</b>	<b>3,361</b>	<b>71,348</b>	<b>-</b>	<b>74,709</b>
Gross cost at 1 April 2019	3,251	61,587	-	64,838
Additions	-	109	-	109
Impairment	-	1	-	1
Reclassifications	-	185	-	185
Revaluation	-	1,953	-	1,953
<b>Net Book Value 31 March 2020</b>	<b>3,251</b>	<b>63,835</b>	<b>-</b>	<b>67,086</b>
<b>Gross cost at 1 April 2018</b>	<b>3,251</b>	<b>59,822</b>	<b>-</b>	<b>63,073</b>
Prior Year adjustments	-	22	-	22
Additions	-	-	1,950	1,950
Impairment	-	(58)	-	(58)
Reclassifications	-	1,950	(1,950)	-
Revaluation	-	(149)	-	(149)
<b>Net Book Value 31 March 2019</b>	<b>3,251</b>	<b>61,587</b>	<b>-</b>	<b>64,838</b>

## 8. Impairments

	2022/23	2021/22
	£000	£000
<b>Impairment to Statement of Comprehensive Net Expenditure</b>		
(Charge)/Credit to Statement of Comprehensive Net Expenditure	(2,422)	(4,850)
(Charge)/Credit to Revaluation Reserve	7,078	20,872
	<b>4,656</b>	<b>16,022</b>

	Upward Revaluation	Downward Revaluation	Total RR Movement	Impairment to SoCNE
	£000	£000	£000	£000
Land	680	(368)	312	(240)
Building	736	(118)	618	(306)
Vehicles	35	(36)	(1)	-
Plant & Machinery	587	(588)	(1)	4
	<b>2,038</b>	<b>(1,110)</b>	<b>928</b>	<b>(542)</b>
Heritage Assets	6,194	(169)	6,025	(577)
Right of Use Assets	125	-	125	(1,303)
	<b>6,319</b>	<b>(169)</b>	<b>6,150</b>	<b>(1,880)</b>
<b>Balance at 31 March 2023</b>	<b>8,357</b>	<b>(1,279)</b>	<b>7,078</b>	<b>(2,422)</b>

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 are largely derived from the desk-based revaluation exercise of Natural England's Land, Building and Heritage assets at the year-end undertaken by external valuers.

## 9. 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.

## 10. Assets Held for Sale

### Habitat mitigation scheme – Nutrient Neutrality

Under the Conservation of Habitat and Species Regulations (2017), Natural England has advised that where nutrient overloading is impacting the condition of these sites, housing developments should only be approved if they do not add additional nutrients to the site.

Natural England's Nutrient Neutrality guidance allows development to go ahead if developers provide nutrient mitigation that will remove nutrients and balance out the additional nutrient pollution that arises from new housing.

[The Nutrient Neutrality and Nutrient Mitigation scheme](#) allows developers to demonstrate that they have put in place appropriate nutrient mitigation and thereby enable them to secure planning approval for their development. The scheme will achieve this by:

- Natural England acquiring or otherwise creating nutrient mitigation, either by contracting with landowners to change the use of land or by Natural England directly acquiring sites and undertaking works on them; and thereby
- Creating Nutrient Credits, a unit of measurement generated by the creation of the nutrient mitigation solutions for sites which can then be;
- Purchase by Developers, on the issue of a Nutrient Credit Certificate from Natural England to satisfy their nutrient neutrality planning conditions

The scheme was launched on 31 March 2023 and will continue to 2030. Initial nutrient credits were acquired and available for sale at the end of 2022-23 as follows;

Habitat mitigation	Asset held for sale @ 31 March 2023  £'000
Acquired Nutrient Credits	3,198
Internally generated Nutrient Credits	-

## 11. Trade and Other Receivables

	<b>31 March 2023</b>	<b>31 March 2022</b>
	<b>£000</b>	<b>Restated £000</b>
<b>Amounts falling due within one year</b>		
Trade receivables	3,952	4,805
Prepayments	180	11,967
Accrued income - DLL Newts	13,328	7,817
Accrued income - Other	4,449	3,438
Contract Assets	2	427
Less Expected Credit Loss for receivables and contract assets	(37)	(42)
<b>Total Receivables due within one year</b>	<b>21,874</b>	<b>28,412</b>
<b>Amounts falling due after more than one year</b>		
Accrued income - DLL Newts	731	907
<b>Total Receivables due after more than one year</b>	<b>731</b>	<b>907</b>
<b>Total Receivables</b>	<b>22,605</b>	<b>29,319</b>

Note:

The prior year accrued income – DLL Newts has been restated to reflect the revised recognition point, which is when Natural England issues a counter-signed certificate to the developer. See note 2 for further details.

## 12. Cash and cash equivalents

	<b>31 March 2023</b>	<b>31 March 2022</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	23,760	10,023
Net change in cash and cash equivalent balances	(7,952)	13,737
<b>Balance at 31 March</b>	<b>15,808</b>	<b>23,760</b>
<b>The following balances at 31 March are held at:</b>		
Office of HM Paymaster General/Government Banking Services	15,537	23,495
Short term investments	271	265
<b>Balance at 31 March</b>	<b>15,808</b>	<b>23,760</b>

### 13. Trade and other payables

	<b>31 March 2023</b>	<b>31 March 2022</b>
	<b>£000</b>	<b>Restated £000</b>
<b>Amounts falling due within one year</b>		
VAT	571	653
Other taxation & social security	2,356	1,912
Trade and other payables	11,126	10,470
Accruals	46,171	29,253
Deferred income	5,282	7,098
Contract liabilities	61	14
Obligations under leases	501	-
<b>Trade and other payables due within one year</b>	<b>66,068</b>	<b>49,400</b>
<b>Amounts falling due after more than one year</b>		
Obligations under leases	3,961	-
<b>Other payables due after more than one year</b>	<b>3,961</b>	<b>-</b>
<b>Total Trade and other payables</b>	<b>70,029</b>	<b>49,400</b>

**Note:**

The prior year deferred income has been restated to reflect the reversal of the Great Crested Newts (GCN) District Level Licencing (DLL) Scheme income deferral, which is now income recognised fully in year. See note 2 for further details.

## 14. Provisions for liabilities and charges

	Balance at 1 April 2022 Restated	Provided in the year	Provisions Utilised in the year	Provisions not required written back	Balance at 31 March 2023
	£000	£000	£000	£000	£000
Pension Provision	316	5	(14)	(194)	113
Litigation	3,692	600	(3,306)	(386)	600
DLL Newts	5,739	2,571	(359)	-	7,951
	<b>9,747</b>	<b>3,176</b>	<b>(3,679)</b>	<b>(580)</b>	<b>8,664</b>

### Analysis of expected timings of discounted flows

	Not later than one year	Later than one year and not later than five years	Later than five years	Balance at 31 March 2023
	£000	£000	£000	£000
Pension Provision	9	37	67	113
Litigation	600	-	-	600
DLL Newts	1,672	2,422	3,857	7,951
	<b>2,281</b>	<b>2,459</b>	<b>3,924</b>	<b>8,664</b>

### Note:

District Level Licencing for Great Crested Newts (GCN) District Level Licencing (DLL) details can be seen at note 5.1.4. The above provision has been established to represent the cost of the future years' maintenance liabilities of the ponds. See note 2 for further details.



## 15. Commitments under leases – Right of use asset information

The right of use lease assets disclosed below relate largely to National Nature Reserve (NNR) leased land (or adjacent to). These land assets are classified as

Non-operational Heritage Assets, which as explained in the Accounting Policy note are tangible assets with environmental qualities that are held and maintained principally for their contribution to knowledge. The NNRs are land that support our strategic outcome to support a healthy natural environment and continue to ensure that our rich biodiversity thrives across the landscape, ecosystems, and habitats resilient to climate change. Where the land has buildings attached to them, which are generally stores, offices or toilet facilities, these are treated as operational support buildings and not classified as heritage assets and are held for administrative purposes. Non-Heritage land, leased for operational purposes is separately classified.

Included in the leased assets are 82 peppercorn leases and long-term leases with no rent review provision (or significant time between reviews). Peppercorn leases are leases with a very low or nominal value (in order to enforce the terms of a lease, a ground rent must be set, and setting a nominal value ensures correct legal arrangements can then be put in place). External valuers have examined these peppercorn and long-term leases to determine their right of use asset value.

### 15.1 Quantitative disclosures around right of use assets

	<b>Heritage Land</b>	<b>Buildings</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Right-of-use assets</b>			
<b>Opening Balance at 1 April 2022</b>	<b>5,457</b>	<b>1,069</b>	<b>6,526</b>
Additions	59	40	99
Depreciation expense	(391)	(165)	(556)
Revaluations	(1,165)	(13)	(1,178)
<b>Closing Balance at 31 March 2023</b>	<b>3,960</b>	<b>931</b>	<b>4,891</b>

## 15.2 Quantitative disclosures around lease liabilities - Maturity analysis

	<b>31 March 2023</b>
	<b>£000</b>
<b>Obligations under leases for the following periods comprise:</b>	
<b>Land and Buildings</b>	
Not later than one year	517
Later than one year and not later than five years	1,571
Later than five years	3,136
	<b>5,224</b>
Less interest element	(762)
<b>Present value of obligations</b>	<b>4,462</b>

	<b>31 March 2023</b>
	<b>£000</b>
<b>Total Present value of obligations</b>	<b>4,462</b>
Current portion	501
Non-current portion	<b>3,961</b>

## 15.3 Reconciliation of opening ROU asset to opening liability

	<b>1 April 2022</b>
	<b>£000</b>
<b>Opening ROU Asset</b>	6,526
Market valuations for Peppercorn Assets on transition with the difference be a charge to SoCTE	(1,531)
Adjustments to ROU Asset value for prepayments at 31 March 2022	(142)
<b>Opening Liability</b>	<b>4,853</b>

## 15.4 Lease liability movement in year

	<b>2022-23</b>
	<b>£000</b>
<b>Opening liability on adoption at 1 April 2022</b>	<b>4,853</b>
Additions	45
Payments	(482)
Interest	46
<b>Closing liability at 31 March 2023</b>	<b>4,462</b>

## 15.5 Quantitative disclosures around elements in the Statement of Comprehensive Net Expenditure

	31 March 2023
	£000
Variable lease payments not included in lease liabilities	-
Sub-leasing income	(42)
Expense related to short-term leases	26

## 15.6 Quantitative disclosures around cash outflow for leases

	31 March 2023
	£000
Capital lease liability payment	482
Interest payable on lease liability	46
	<b>528</b>

## 15.7 Qualitative disclosure around utilisation of right-of-use assets held for use within the group

The corporate office estate occupied by Natural England staff (and others in the Defra group) are managed by Defra group Property services within core Defra. Where there is a formal sub-lease between entities, these sub leases will be assessed and treated accordingly as finance or operating sub leases. For Natural England there are no formal sub-leases, and this is the case for the majority of occupation across the group. Therefore, the right-of-use assets for the Defra corporate estate are reflected in the accounts of the legal leaseholder, either the core department or the Environment Agency.

Within the Statement of Comprehensive Net Expenditure, the full cost of occupation of the corporate office estate 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.

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

### 16.1 Off-balance sheet

In 2022-23, a contract break was exercised to terminate an occupancy agreement for a property occupied by Defra, arm's length bodies and other government departments. Consequently, Natural England now has no off-Statement of Financial Position PFI contracts commitments at 31 March 2023 (31 March 2022: £0.6 million).

## 16.2 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 2022-23 or 2021-22.

## 17. Capital Commitments

Contracted capital commitments at 31 March 2023 not otherwise included in these financial statements:

	<b>31 March 2023</b>	<b>31 March 2022</b>
	<b>£000</b>	<b>£000</b>
Land	-	2,500
<b>Total capital commitments</b>	<b>-</b>	<b>2,500</b>

## 18. Other financial commitments

Natural England has entered into non-cancellable contracts. The total payments to which Natural England is committed are as follows:

	<b>31 March 2023</b>
	<b>£000</b>
Not later than one year	19,657
Later than one year and not later than five years	15,021
<b>Present value of obligations</b>	<b>34,678</b>

Note: The FReM introduced a new requirement for NDPBs to disclose other future financial commitments in 2022-23. Consequently, the above financial commitments have been included for the first time which represent Natural England's future non-cancellable commitments largely in relation to existing grant schemes and externally funded EU Life projects.

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

Natural England has the following contingent liabilities:

	<b>31 March 2023</b>	<b>31 March 2022</b>
	<b>£000</b>	<b>£000</b>
<b>Claims and Litigation</b>	<b>686</b>	<b>1,054</b>

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

statement of comprehensive net expenditure but is disclosed here as a note to the accounts.

Natural England is currently involved in a number of ongoing legal cases. Management have considered all claims and litigation they are currently involved in, and in their opinion, 7 of these cases are disclosed above as contingent liabilities (7 cases in 2021-22).

## 20. 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 2023	Amount Owed to Natural England at 31 March 2023
		£000	£000	£000	£000
Kerry ten Kate	Royal Society for the Protection of Birds	850	22	804	6
Clare Fitzsimmons	University of Newcastle Upon Tyne	112	-	67	-

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 Chair is an ex officio member of Defra, our parent department who provide the majority of Natural England's funding.

## 21. 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 was one reportable event as follows:

- Natural England is installing a new dam at Hammer Pond near its site at Thursley Common, Surrey; the works and operational systems are not fully completed. After the heavy weather conditions on 2 November 2023 high water levels were reported at Hammer Pond which led to increased water downstream. We need to assess the impact of this high water on neighboring private property downstream and if there are any potential costs which may result from this event. As this occurred after 31 March 2023, it is a non-adjusting event and therefore no adjustments have been made to the financial statements.

# **Annex One: 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) and the North Sea Sandeel Fishery (in press). All 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. This year, Natural England has been developing and testing metrics and indicators for reporting the State of Natural Capital in England through the Science and Evidence Programme and Marine Natural Capital and Ecosystem Assessment (mNCEA).

## **Reporting the state of natural capital**

The economic value of natural capital benefits presented in accounts helps inform decisions, but the state of the underpinning ecosystems is vital if we want to provide these benefits sustainably into the future. If we enhance our natural assets, they can help to deliver policy; if they deteriorate, this can pose a substantial policy risk.

In our developing State of Natural Capital report we focus on the state of the ecosystem assets and show how they link to ecosystem services relevant to policy delivery. In 2022-23 we have proposed and tested a set of indicators for measuring change in ecosystems. How effective ecosystems are at providing benefits to people, depends on how extensive they are (quantity), how good their condition is (quality) and where they are situated in relation to the people who benefit (location). These three aspects, together, determine the state of natural capital. We are therefore proposing indicators for the quantity, quality and location (where possible) of ecosystem assets.

These indicators are based on previous work Natural Capital Indicators: for defining and measuring change in natural capital - NERR076 (Lusardi and others 2018). This work systematically identified the attributes of the natural environment vital for underpinning the benefits which nature provides to society. In our State of Natural Capital reporting we propose a concise suite of key indicators, related to the provision of ecosystem services, for

each broad ecosystem, and the metrics for measuring them. With this in-depth focus on the assets, we can also provide additional data for natural capital accounting, such as the Office for National Statistics natural capital accounts and will be identifying a selection of indicators relevant to key areas of policy that rely on our natural capital.

## **Marine Natural Capital and Ecosystem Assessment (mNCEA)**

The mNCEA has grown significantly since it's pilot year, with NE's work in 2022-23 expanding accordingly. One element has involved the collection of ecological data on the extent and condition of certain natural capital assets. This has focussed on surveys of sea birds and soft sediment shores in places including Morecambe Bay and the Wash. Exploring the opportunities for using citizen science to monitor coastal species and habitats has been a fundamental part of the work, allowing new data to be collected in ways that increase people's engagement with nature.

We have also been looking at how natural capital data can be used in decision making to support marine management and nature recovery. This included developing natural capital frameworks to support both the evaluation of Highly Protected Marine Areas and wider conservation advice. We also took a detailed look at marine restoration and recovery, with desk studies on how a natural capital approach could be used to measure the gains of such projects and what the options were for financing them.

In 2022, Natural England used Natural Capital accounts and marine ecosystem modelling to provide evidence and advice to Defra on sandeel fishery management options for the delivery of multiple benefits for nature and society.

The innovative 'Sandeel Natural Capital Account' integrated ecosystem model simulations with a Natural Capital approach to investigate the natural capital assets, ecosystem services, and management costs associated with the industrial sandeel fishery. Information was disseminated to Defra using a natural capital extended balance sheet which displayed the economic value of assets under different management scenarios (e.g., 'fishing sandeels at Maximum Sustainable Yield' vs 'no sandeel fishing'). The account concluded that prohibiting industrial sandeel fisheries would increase the total value of North Sea fish landings, despite landings of sandeels falling to zero, as the reduced sandeel exploitation, and thus greater sandeel availability for predators, led to an increase in the productivity and subsequent landings of higher value commercial fish. This evidence supported Defra's decision to close sandeel fisheries in UK waters in 2022 as had been advised by the International Council for the Exploration of the Sea (ICES) based on annual stock assessments.

The impact of this work has extended through Natural England's continued provision of evidence and advice to Defra. Natural England has been using elements of the Sandeel approach to shape advice requests to focus not only on the impacts of sandeel exploitation on commercial fish, but also on marine mammals, seabirds, and ecosystem structure, delivering on the UK's obligations for an ecosystem approach for fishing and the pursuit of Good Environmental Status. Resulting evidence is being used to outline Defra's long-term position on industrial sandeel fishing in English waters.

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.

Natural England publications are available from [www.gov.uk/natural-england](http://www.gov.uk/natural-england).

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](mailto:enquiries@naturalengland.org.uk).

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