

A photograph showing two hikers from behind, walking up a grassy hill. They are wearing backpacks and hats. In the background, there is a coastal landscape with a river or estuary, green fields, and a blue sky with some clouds.

Natural England Annual Report and Accounts

1 April 2025 to 31 March 2026

HC 697

www.gov.uk/natural-england

Natural England

Annual Report and Accounts

1 April 2025 to 31 March 2026

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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.

Foreword from our Chair

Reflection on the year and challenges

The past year has been one of significant achievements for Natural England and those we work with, both at a strategic level and in the delivery of nature recovery in places across the country.

In November we launched our new strategy [“Recovering Nature for Growth, Health and Security”](#), produced with the input and support of many key partners. It seeks to integrate nature into solutions to strengthen national security, support sustainable economic growth and secure health and wellbeing benefits for the whole population.

Key to this is moving beyond protection to systemic, large-scale recovery of nature which will involve Natural England increasing collaboration with others and enabling local decision-making to deliver for the natural world, while focusing our resources on areas that can achieve the greatest impact for nature and communities.

Every year, Natural England plays an important role in supporting sustainable development and nature recovery through both the advice we provide on planning proposals and the licensing decisions we make. In 2025–26, we responded to more than 22,000 planning consultations, with 93.8% completed within agreed timescales.

We also handled approximately 16,000 species licence applications and are changing our service to become digital-first, risk- and evidence-based, and quality assured. Our aim is for our species licensing and advice service to help create connected, climate-ready landscapes where people and nature thrive.

Through our programme of Critical Reforms we are working to make these services even more effective, modernising the way casework is prioritised and delivered, reducing lower-value activity and focusing greater expertise and capacity on the highest-risk, highest-opportunity and most strategic cases.



Tony and His Majesty King Charles III at the launch of the Seven Sisters National Nature Reserve, March 2026.

Our new strategy aligns with the Government’s priorities of delivering housing and infrastructure alongside restoring nature. This ambition to ensure we have more homes and more nature, rather than viewing them as opposing forces, is at the heart of the Planning and Infrastructure Act, which received Royal Assent in December. Representing one of the most significant planning reforms in a generation, the Act’s new measures such as the Nature Restoration Fund will support our drive to help “Build Better Places” in which nature can thrive all around us.

Nowhere is there more evidence of the ambition to help communities and nature thrive than in the King’s Series of National Nature Reserves, begun in 2023 with a target of declaring 25 new or extended NNRs by 2028. These wonderful and richly varied sites are providing a wider range of services to a wider range of people, including storing carbon, providing sustainable food production and clean water and air, reducing flood risk and creating resilient, nature-rich places for people to enjoy.

One of my highlights of the year was reaching the milestone of the mid-way point of the Series, when His Majesty King Charles III and the Secretary of State, Emma Reynolds, joined us and our partners to launch the Seven Sisters NNR in Sussex. The King’s

presence very much underlined the importance of restoring nature and ensuring that it benefits not only those able to visit from afar, but also those who live nearby.

The royal visit also combined the inauguration of the King Charles III England Coast Path (ECP). At 2,700 miles, the world's longest managed coastal footpath has been implemented by Natural England with support from the Ramblers and the countless landowners and communities we've worked with over the last 16 years. National Trails such as these encourage people to enjoy nature – particularly the wonders of our seas – and all the benefits it can bring, including to the local economy.

Shortly after the ECP was launched came the unveiling of the nation's newest National Trail, the 190-mile Coast to Coast Path.

Government investment of £5.5 million enabled this cherished route, envisioned by Alfred Wainwright, to be upgraded so that it can be enjoyed by a wider variety of users for decades to come.

The past year has also seen the Government refresh the Environmental Improvement Plan (EIP), setting out how it plans to meet statutory targets including halting the decline in species abundance by 2030, ensuring 70% of protected features in Marine Protected Areas are in favourable condition by 2042 and reducing water pollution from agriculture. Natural England has been supporting government in this refresh, and our new strategy will help us to meet the challenges the EIP sets us, in areas such as delivering nature recovery at scale and working collaboratively with trusted partners.

The tools and structures to facilitate this work are growing and one of the most far-reaching will be the Land Use Framework (LUF), published in March, which has the potential to ensure this country's limited supply of land is used in a joined-up way to deliver nature, development and food as well as space for energy, recreation and other requirements.

The LUF makes clear that nature can be restored in tandem with these other interests and provides an important basis for moving beyond trade-offs towards integrated, sustainable solutions.

Restoring nature cannot happen without the wholehearted support of farmers and land managers, which is why the progress on Landscape Recovery projects has been so heartening over the past year. Three have moved from planning to delivery, the largest being at Evenlode in the Cotswolds where a farmer cluster is tackling challenges to wildlife loss, water quality, flooding and sustainable food production across 3,000 hectares. It follows the start of work to recover nature at Boothby Wildland in Lincolnshire and the Duddon Valley in Cumbria, paving the way for many more projects in the coming years.

The coming year will bring significant change at Natural England, with our Chief Executive Marian Spain retiring in autumn 2026 after eight years leading the organisation through a period of immense ambition and vital transition. I would like to offer my gratitude and appreciation to Marian for all she has achieved for Natural England and all the support she has given me as Chair. Our new Chief Executive will be Neil Hornby, whose vast experience will be of great benefit to the organisation, and I very much look forward to working with him. It will also be my final year at Natural England, with my term due to end in April 2027, and recruitment for a new Chair has begun.

Finally, I would like to thank my Board for their leadership in setting Natural England on course towards its new strategy, as well as our exceptional staff who have shown through their dedication and collaboration with partners what we can achieve for nature in just 12 months.

Tony Juniper CBE

**Chair
Natural England**

Chief Executive's statement

This has been a year of profound change and significant progress for Natural England with our new strategy "Recovering Nature for Growth, Health and Security" setting us a clear course to support both economic growth and landscape scale nature recovery.



Marian Spain. Photo Credit Joshua Snape

Over the past year, we have taken major strides in showing how sustainable development and nature recovery can work hand in hand. A landmark achievement has been our work supporting the passage of the Planning and Infrastructure Act 2025. This legislation enabled the introduction of the Nature Restoration Fund, a transformative approach that replaces site-by-project mitigations with a pooled developer levy. With our first Environmental Delivery Plans (EDPs) launching in 2026 to mitigate nutrient pollution, we are unlocking much-needed homes while delivering strategic, meaningful improvements to our rivers, wetlands, and accessible green spaces.

We have continued to support the development of strategic national infrastructure, with summer 2025 marking 15 years of our constructive engagement with the developers of Sizewell C Nuclear Power Station, where early collaboration between Sizewell C, Natural England and other environmental regulators has meant that compensatory habitat was able to be secured before development began. This joint approach to finding strategic solutions for nature has enabled this complex, major infrastructure project to proceed on schedule while securing a positive future for nature across the region.

We have contributed to the sustainable development of thousands of homes through engagement with Ministry of Housing, Communities and Local Government (MHCLG)'s New Homes Accelerator programme, identifying and resolving strategic issues that can slow development

Our Nutrient Mitigation Schemes and Biodiversity Net Gain credit scheme has continued to unlock development in nutrient polluted catchment areas and started to develop green finance opportunities respectively.

Bringing together farmers, conservationists, and government agencies to restore habitats, boost food security, and deliver benefits like flood prevention, this year saw the first Landscape Recovery projects move into Project Implementation Phase (PIP) with 6,556 hectares of land now in long term management. We also continued support farmers take action to combat pollution and deliver nature recovery through our advice on Catchment Sensitive Farming and on Countryside Stewardship Higher Tier agreements, engaging with over 6,000 customers in 2025-26.

We are proud to have announced five more new or significantly extended National Nature Reserves as part of the 'King's Series', keeping us firmly on track for our ambition of 25 declarations over five years. Our work with partners through the Species Recovery Programme has enabled the recovery of 278 rare and threatened species across 140 projects and supported Environment Improvement Plan goals. We developed a revised approach to Sites of Special Scientific Interest, and ongoing designation process providing clarity on our approach with a focus on strategic outcomes for nature recovery.

Our engagement with local government continues as we assisted Local Planning Authorities delivering Local Nature Recovery Strategies (LNRS) and with 32,435 planning consultations that we received in 2025-26. Furthermore, our commitment to connect communities with the natural world remains central to our new strategy, highlighted this year by our completion of the Coast-to-Coast National Trail and launch of the King Charles III England Coast Path. We also prepared our advice on the extension of and designation of two National Landscapes.

We are, of course, operating in a challenging financial landscape. The outcomes of the 2025 Spending Review require us to deliver ambitious savings to our baseline funding and work more efficiently. We are adapting to ensure Natural England is the right size and shape to meet our priorities and deliver maximum impact. Through our Reshape the Organisation Critical Reform, we are redesigning the organisational governance with a new Target Operating Model, to shift to a service-based delivery approach, ensuring our workforce has the right skills while embedding a culture that is focused on excellent customer service, strong collaboration, and pragmatic, evidence-based decision making. This year, we have focused on modernising our services, including reforming how we handle casework and licensing with clearer online forms and updated statutory guidance.

By concentrating our resources on high-risk, high-opportunity cases like major infrastructure, and expanding 'earned recognition' through a new 'trusted partner' model piloted with the National Trust, we are streamlining processes without compromising environmental protections. We are also embracing automation and transforming how we monitor Sites of Special Scientific Interest (SSSIs) through new digital systems, allowing us to act faster and target our resources more effectively. Following from the Corry Review, Government launched the Lead Environmental Regulator pilot, and I'm pleased Natural England was selected to lead for the Lower Thames Crossing project.

The Government set out further guidance on the Growth duty and through our engagement with the regulator's forum and critical reform programme we are also working towards the completion of actions in His Majesty's Treasury (HMT)'s Regulation Action Plan which outlines reforms designed to support growth and reduce administrative costs of regulation for businesses. Our Key Performance Indicators (KPI)'s and progress towards these goals are now published as part of the 'Regulator dashboard'. The Secretary of State also set out a new Strategic Policy Statement (SPS) for Natural England which also guides our use of constrained discretion and sets expectations for proportionate, timely and evidence-based regulation. Together with Defra's outcomes framework these will support our decision making as we ensure compliance with national goals, including growth, alongside the Environmental Improvement Plan, biodiversity targets and net-zero targets.

None of this would be possible without the continued dedication, resilience, and world-class expertise of Natural England's staff who have embraced the vision of our new strategy, with our people survey recording the highest engagement score in 10 years. I was pleased to be able to deliver on our pay roadmap for staff by implementing a substantial new pay settlement. I am equally grateful to our Chair, the Board, and our diverse range of partners across government, the farming, environmental, local government, and development sectors who have engaged so constructively with us this year.

Finally, having announced my intention to retire in the autumn of 2026, this will be my final annual report as Chief Executive. After a forty-year career in environmental conservation, it has truly been the privilege of my career to lead Natural England over the last eight years.

I want to thank all my colleagues and partners for their immense passion and support. The foundations we have built are robust, and I look forward to seeing Natural England continue to champion nature as the bedrock of our health, well-being, and economy in the years to come. My sadness at leaving is tempered by the knowledge that I am handing over the reins to Neil Hornby, whose leadership and commitment will be a huge asset to the organisation, and I wish him and Natural England every success in the future.

Marian Spain
Chief Executive¹
Natural England

¹Marian Spain retired as Chief Executive on 30 September 2026, a position she has held since 2018. Neil Hornby was appointed as Chief Executive from 1 October 2026.

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.

Performance Overview

Performance summary

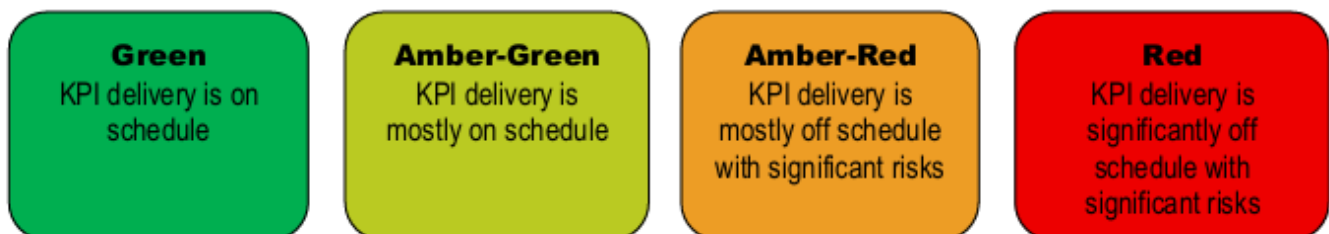
Natural England Performance Framework

Natural England's [vision and mission](#) are underpinned by our [Strategic Direction 2025-2030](#) published on 2 April 2025. It formed the first phase of the new Strategy, setting out why recovering nature is important and why Natural England needs to change, bringing clarity around our role and what we will focus on as an organisation to have the greatest impact.

Natural England's performance framework for 2025–26 builds on our six priorities and aligns directly with Defra group Outcomes Framework and [Environmental Improvement Plan \(EIP\) 25 targets](#)

Our performance framework is agreed by the Natural England Board at the start of each financial year, and reflects our priorities as agreed with Defra.

We assess the Key Performance Indicators (KPIs) using a four-tier system:



How we measure success

Our [new Strategy](#) was published in November 2025 and will form the basis of our Corporate Performance Reporting framework from 2026-27. Our six Strategic Priorities are set out in our [strategic direction](#). We have KPIs with in-year measures. Our [2025-26 Action Plan](#) sets out how we will prioritise our efforts to achieve the statutory targets for nature in line with our new Strategic Direction and the Secretary of State's priorities. Our priorities are measured against long-term EIP targets, interim EIP targets and EIP commitments. An explanation of these is given in our Glossary of Terms.

Performance Highlights

- **17 of 21** KPIs rated green or amber-green.
- **4** KPIs rated amber-red or red.

At the end of 2025-26, Natural England delivered a strong overall performance, with the majority of KPIs achieved or exceeded, several showing significant over-delivery. A smaller number of KPIs were partially met or not met, largely due to factors outside Natural England's direct control, including legislative dependencies, scheme delays, and external partner capacity.

Governance and Reporting

We report quarterly to the Board and meet regularly with Defra Ministers, including six monthly Ministerial Performance Reviews with the Minister for Nature and Natural England sponsor, and Regulator Performance Reviews with the Secretary of State. We report quarterly to our Defra Sponsorship

Team, ensuring transparency and accountability.

Performance analysis

Our Key Performance Indicators: Performance Outturn

Priority 1: Drive nature recovery at a greater scale and faster pace than before by supporting large scale projects and making it easier for landowners to get permissions for nature positive change.

In-year KPI	Result	Performance narrative
1) 22%* of Sites of Special Scientific Interest (SSSI) features will have actions underway to achieve favourable condition. *The original KPI of 22% was set against a 19.1% baseline, representing a 2.9% increase. To match methodology used for other reporting purposes, the baseline has been revised to 23.1%	Amber Green	25.6% of SSSI features now have actions on track to achieve favourable condition, a 2.5% increase from the 23.1% baseline. This is slightly below the 2.9% KPI target. Progress has been made despite capacity and operational constraints, including delays to the Countryside Stewardship Higher Tier scheme, a key delivery mechanism.
2) Complete 1,000 landscape/vegetation and soil surveys as part of the Natural Capital and Ecosystem Assessment (NCEA) Programme.	Green	We exceeded our target and delivered 1,030 surveys in 2025-26 (538 vegetation & landscape surveys and 492 soil surveys). This achievement indicates our growing experience in delivering these complex surveys, including stronger management of output quality and good contract management relationships.
3) Monitor and support delivery of the Protected Landscapes Targets & Outcomes Framework across all 44 Protected Landscapes.	Green	We successfully collated and published data for the Protected Landscapes Outcomes Framework. With continued support from Natural England, all Protected Landscapes bodies have now incorporated the framework into their management plans.
4) 250 rare and threatened species benefit from species and Nature recovery projects.	Green	Through the Species Recovery Programme we have enabled the recovery of 278 rare and threatened species across 140 projects. Projects have delivered priority habitat for species plus essential research, including the rediscovery of the white-knuckled wolf spider. Beaver wild release licences issued for Cornwall and Somerset have also contributed to ecosystem resilience.
5) Creation or restoration of 13,200 hectares of a range of wildlife-rich habitat outside of protected sites.	Red	Just under 6,750 hectares of habitat was created or restored during 2025-26. The shortfall in the expected amount is primarily due to delays in delivery and reporting of Countryside Stewardship and Landscape Recovery. Delivery has been highly variable across habitats and geographic areas, with more than 90% of the habitat delivered being peatland and wooded habitats through Tree Action Plan Delivery and the Peatland Grant Scheme.

Priority 2: Tackle the root causes of nature's decline working with Defra partners to ensure cleaner air, clean and plentiful water, healthier soils and rich productive seas.

In-year KPI	Result	Performance narrative
6) Complete 80 Marine Protected Area (MPA) condition assessments.	Green	We delivered and published 85 marine condition assessments, exceeding the KPI target of 80. This represents a strong year-end outcome, achieved by focused effort and effective prioritisation of competing marine operational demands. A significant programme of condition assessments is still required to support the Environmental Improvement Plan target and build on the 26% of Marine Protected Area designated features that have been assessed since 2017.
7) Restore 4,000 hectares of peatlands through the Nature for Climate Fund (NCF) Peatland Grant Scheme.	Green	We have met the annual target on area under restoration, with 5,400 hectares brought under restoration this year. The carbon secured through the scheme is also on track, with restoration equating to an estimated abatement of 3.74 mega tonnes CO ₂ e* by 2050. *CO ₂ e is Carbon Dioxide Equivalent. Greenhouse gases other than carbon dioxide can be converted to an equivalent amount of CO ₂ , based on their relative contribution to global warming.
8) Support tree cover targets by advice on 'right tree right place' to increase biodiversity and carbon secured through woodland creation.	Green	The Tree Action Plan Delivery (TAPD) Team has provided advice on the suitability of woodland creation and agroforestry advice over 550 sites, covering nearly 9,150 hectares. TAPD continues to deliver an important function in the delivery of positive outcomes for the government Trees programme, helping to increase biodiversity and tackle climate change.

Priority 3: Partner with planners and developers on “high nature; low carbon” houses, energy and transport infrastructure and introduce strategic solutions so development can also protect and restore nature.

In-year KPI	Result	Performance narrative
9) Prepare up to 6 Environmental Delivery Plans to support use of the Nature Restoration Fund. (subject to legislation).	Red	We could not meet this KPI due to impacts outside of our control. Delays to the expected legislation meant that we could not complete any Environmental Delivery Plans (EDPs). Preparatory work on EDPs to tackle issues of nutrient pollution and impacts on great crested newts has proceeded at pace so that they can be progressed once the relevant legislation is in place. The work carried out this year should make our EDPs more robust and enable greater gains for nature in the long-term.
10) Maintain the Biodiversity Net Gain (BNG) register; 95% of applications verified within 10 working days.	Amber Green	From a strong position of 94% at the start of the year, our percentage of applications verified within 10 working days fell to 85% by the end 2025-26. This was due to an overall increase in application numbers, plus a greater proportion of complex amendments that was not anticipated when the service launched. The service team is implementing practical measures for improvement, including processing efficiencies plus updated technical advice to users to reduce complex or incomplete applications.
11) Deliver 85% of statutory casework within published timescales.	Green	Across our planning, licensing and protected sites casework, we delivered 89% of responses within published timescales. Continued resource reduction in this work area means that casework reforms will be vital to streamline licensing processes and maintain our current service levels on casework delivery.
12) Respond to 90% of Nationally Significant Infrastructure Projects (NSIPs) within agreed timeframes/deadlines for statutory requests at pre-application and pre-examination.	Green	Over 2025-26 we achieved an average percentage for meeting agreed timeframes on NSIP casework of 95% (96% for pre-application and 94% for pre-examination). This exceeded our target of 90% and reflects the excellent performance by Case Officers undertaking this work.

Priority 4: Support food security and sustainable farming, forestry and fishing through targeted advice and the right mix of public and private finance.

In-year KPI	Result	Performance narrative
13) Develop landscape-scale projects including approving up to 22 Landscape Recovery Round 1 and up to 34 Round 2 projects.	Amber Red	Large numbers of projects entering the assurance phase, combined with limited staff capacity (in Natural England and Defra) led to bottlenecks in undertaking assurance checks. An additional issue around wording of agreements (now resolved) delayed the signing of some agreements. At the end of the year 21 Round One projects were through the assurance stage and 3 had entered the Project Implementation Phase, bringing 6,556 hectares of land into 20+ year management agreements. Round Two projects are progressing through pre-assurance checks and project development. Capacity is being increased to help resolve issues with bottlenecks.
14) Carry out 900 pre-application visits to ensure 700 Countryside Stewardship Higher Tier agreements once the scheme opens for applications.	Green	In 2025-26 we carried out 809 Countryside Stewardship Higher Tier customer visits leading to completion of over 770 pre application packages. By the end of March 2026 almost 500 of those customers had been invited to apply for an agreement, 400 had submitted their application, and over 150 were already live. Applications cover 27,000 hectares of grassland, 26,000 hectares of moorland, and 3,500 hectares of wetland.
15) Engage 5,500 farmers to reduce water and air pollution through the Catchment Sensitive Farming (CSF) programme.	Green	We have successfully delivered a total of 5,568 engagements, just over the 5,500 target. Targeted events during the later part of the year, plus an increase in demand for site visits due to the launch of Environmental Land Management Capital Grant Scheme, both helped us to reach our target.

Priority 5: Shape better places for people to work and live by providing clear evidence and advice to our partners, using spatial plans for nature as a framework for investment and joined up action.

In-year KPI	Result	Performance narrative
16) Work proactively with 20 additional Local Authorities to embed the new Green Infrastructure (GI) Standard into local plan policies, delivery plans or design codes, including those Nature Towns and Cities working towards accreditation.	Green	We exceeded our target on engagement with Local Authorities to embed the new Green Infrastructure Standard, engaging with 42 Local Authorities over the final quarter of the year. We have worked with a range of settlements looking to gain Nature Towns and Cities accreditation in all parts of England.
17) Ensure the preparation of 48 high-quality LNRS by Responsible Authorities.	Amber Red	At the end of the year, 39 LNRS had met the KPI target of being published or prepared for publication. Responsible Authority publication timescales are outside of our control but over the year there were many high-profile launch events celebrating LNRS publications. We have continued to work effectively and collaboratively with the wider Defra group and together have progressed the project ready for delivery phase.

Priority 6: Connect communities with nature and create nature close to people's homes, ensuring everyone gains from the health benefits nature can bring.

In-year KPI	Result	Performance narrative
18) Increase the range and diversity of stakeholders and partners involved in the delivery of Nature recovery led or convened by Natural England, to realise the benefits for Nature and people.	Amber Green	We have diversified the stakeholders and partners that we work with on nature recovery delivery during 2025-26. Our work collectively demonstrates a clear shift toward broader, multi-sector partnership working that brings a wider range of perspectives into nature recovery. We need to maintain momentum as there is more to do to consistently embed this approach in Natural England's ways of working, which is essential to fully deliver our Strategy.
19) Deliver a range of partnership activities and products that contribute to the government's commitment for people to have access to quality green space within 15 mins of their home and maintain the rolling average of adults accessing nature within the last 14 days at 64% (as evidenced by the People and Nature Survey (PaNS)).	Green	We continue supporting the government to embed access to nature, providing evidence, advice, and progressing delivery with partners and the private sector. Over the course of the year, the People and Nature Survey has shown that adults accessing nature within the last 14 days has ranged between 64%-70%, with the rolling average for the year ending at 67%.

20) Publish final proposals for King Charles III England Coast Path and Coast to Coast National Trails and complete establishment works to enable the launch of both paths in 2026.	Green	All proposals for both the King Charles III England Coast Path and the Coast to Coast Path National Trail were published, and establishment works undertaken to launch both new National Trails during March 2026, resulting in extensive positive media coverage.
21) 10 new or developing strategic policies or plans which reference alignment between nature recovery and health outcomes through proactive engagement by Natural England staff.	Green	We exceeded our 2025-26 KPI, with 20 new or developing plans or policies, alongside considerable engagement in influencing other Government Department and NHS thinking at the England scale. We have fostered new collaborations across the health sector, supporting outcomes for people and nature, and our leadership in the Cross Government Green Social Prescribing Programme has demonstrated how nature can be built into health systems.



The story behind the picture

Partnership working on the new Seven Sisters National Nature Reserve by Amy Austrin, also featured on the front cover.

The photograph was taken on the Seaford and Beachy Head SSSI during a training session for volunteers and partners who will be assisting with the National Nature Reserve monitoring work.

Analysis of our risks

As an organisation we recognise that the appropriate identification, assessment and management of Strategic Risk is critical to our ability to recover nature in line with our strategic aims. During the year, we managed nine principal risks, with each being owned at Executive team level and actioned through our director team. Oversight of risk was maintained through regular reporting via our Executive Committee, Audit and Risk Assurance Committee and non-executive Board (expanded on in the Risk Management section on page 35).

Principal risk	Risk management aim
Keep People Safe and Well	Maintain health and safety requirements for our staff and the public
Staff Capacity and Capability	We ensure our staff have the capability and capacity to meet new delivery challenges in line with our priorities
Reflecting the communities we serve	Ensure the Natural England Board is reflective of the society we serve through its decision making
Agility to deliver Strategic Change	Create bigger and better outcomes for nature and people through our critical reforms
Delivering our key operational outcomes	Deliver our ambitions for nature and our reputation for customer service through our existing delivery mechanisms
Trusted with Public Money	Keep the organisation and public money safe through good financial management
Defra group operating context	Seek best practice and efficiency through the Defra sponsorship and shared services model
Relevant to the society we serve (External Operating Context)	Build relationships for nature's recovery remaining alive to political and wider context
Effective Governance	Maintain the reputation of the organisation through good governance

Our risk context has undergone significant change over the year of 2025-26. Changes to the legislative landscape in which we sit, and publication of a new organisational strategy have required us to respond to emerging risks at pace. Despite these changes, the status of our principal risks has remained stable overall. Only one of our principal risks has shown a significantly worsening trend across the year ("External Operating Context"). All other principal risks have remained stable or exhibited an improving trend across the year. Further detail on this can be found in our end of year evaluation on page 36.

We have utilised our Strategic Risks to inform key areas of work over 2025-26, including:

- Landing our new strategy internally and with external partners
- Improving our Pay and Reward offer
- Development of the Nature Restoration Fund
- Linking with Defra to strengthen cyber security and digital systems

Sustainability report

Summary

Details of performance

This section sets out Natural England's performance against the significant sustainability objectives of our estate and operations. In 2025-26, the greenhouse gas emissions from Natural England's portion of the Defra office estate (not including NNRs) and our business travel were 1204t/CO₂e.

Responding to the climate emergency

This year we have continued enacting the Climate Change Strategic Plan, to accelerate action to tackle the joint crises of climate change and nature loss across all our work, including setting out actions for the year to reduce our organisational carbon footprint. This internal plan sets out how we will achieve its 'high-nature, low-carbon' ambitions and the governance arrangements for this work. The Defra group sustainability strategy, rooted in the [UN Sustainable Development Goals](#), continues to drive sustainability actions across the Defra group. Natural England are committed to:

- respond to the climate emergency
- halt and reverse nature decline and loss of biodiversity
- stop the depletion and pollution of natural resources
- tackle social inequality for a fair, just and inclusive society

About our data

This data is reported following the guidance set out in the [HM Treasury's Sustainability Reporting Guidance 2025-26](#). Carbon footprint data is aligned with the requirements set out in the [Greenhouse Gas protocol](#).

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

Overview of carbon footprint

As an environmental organisational and 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 are designed to make a positive contribution wherever possible.

The [Greening Government Commitments](#), (GGC) relaunched in 2021, set key environmental sustainability targets for central government departments. We have also set new interim milestone targets, and these include:

- A reduction in emissions by 45% by 2030 (a recommitment to the existing 2019 target)
 - A reduction in Scope 1 and 2 emissions of at least 80% by 2030
- A zero-carbon emitting fleet of cars and vans by 2027
- A zero-carbon emitting four-wheel drive fleet no later than 2030

A summary of Natural England's performance during 2025-26 against some of these targets is as follows:

Energy breakdown (use and generation)

Scope 1 emissions are generated from sources owned or controlled by Defra, including combustion boilers used within office buildings. Energy consumption data for office gas (and electricity) is provided to us by Defra group Facilities Management. The Energy Management Team apportion the energy consumption and allocate it between the occupying agencies - Scope 1 emissions have fallen compared with the previous year.

The reduction in office gas use is attributed to Defra group Property moving out of four older offices and a significant reduction in gas use at Eastbrook, coinciding with the transfer of the building to the Government Property Agency for it to become a government site. Five National Nature Reserve (NNR) buildings use gas, liquid petroleum gas (LPG) or oil, and data gathered and analysed by Natural England NNR estates and procurement teams has shown this to have decreased this year. This category also includes emissions from organisation-owned fleet vehicles (including leased vehicles). At

the end of March 2026, the NNR team owned 126 vehicles in total.

Scope 2 emissions occur from energy consumed which is supplied by another party, mainly electricity supply in buildings. In our offices, our carbon footprint has fallen slightly. Electricity use across our NNRs has risen to 718,705 kWh. This rise is in part due to new NNR sites transferring in, new electric vehicles on NNRs and more charging stations.

Electricity generation on NNRs from photovoltaics totalled almost 57,000 kWh in 2025-26.

Business travel and employee commuting

Scope 3 emissions from official business travel directly paid for by us accounted for 762 t/CO₂e in total. With the continuation of our hybrid working policy, employee commuting for 2025-26 is estimated to be 446 t/CO₂e.

Fleet vehicles

The percentage of NNR long-lease fleet vehicles categorised as ultra-low or zero emission for the was 22%. The Natural England NNR estates and procurement teams have a vehicle replacement strategy where all future purchases will reflect the Greening Government Commitments 2027 target date and the need to replace conventionally fuelled vehicles with ultra-low emission vehicles.

Waste and resource consumption minimisation

Appendix A 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 Information and Communications Technology (ICT) waste recycled, reused, and recovered (externally), paper use and single-use plastic elimination are reported at the Defra group level.

Water use (finite resource consumption)

Defra group Property report that our share of water use on the Defra office estate has increased. Water use on our NNRs varies greatly across the estate, depending upon factors such as livestock responsibilities.

Total NNR water consumption in 2025-26 was 39,455 m³. Reasons for this increase include the consolidation of the NNR water contract, which has reduced estimated billing, and the introduction of a new contract that has enabled many older meters to be reviewed and brought back into service and monitoring. This was in addition to new NNRs being added to the group and a dry summer. Five NNRs were responsible for 47% of water consumption out of the 46 which are invoiced at a national level.

The remainder of our sustainability data is included in Appendix A on page 25. This appendix gives an overview of our key sustainability measures including greenhouse gas emissions, water and waste. As this reporting is required to be 'fair, balanced and understandable', it includes data for the past three years to provide a transparent view of our performance.

Additional sustainability information

Contributing to an equitable society

Natural England has an obligation to ensure all our actions respect the human rights of those who work for it and to whom it provides services. Natural England is also a signatory to the [Defra group modern slavery statement](#).

Sustainable procurement

We are committed to making our commercial activity more sustainable. To do this we ensure that 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 Defra group Corporate Services model, continues to promote sustainable procurement through standing instructions within their policies and processes. They also have an 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, Natural England will

focus on the following areas throughout procurement life cycle:

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

Natural England has a delegated self-service limit of £50,000 under which our staff can carry out their own procurement, following guidance on the 'MyBuy' platform, which contains key commercial guidance information, including sustainability requirements, that applies across the Defra group. Templates are provided and help suppliers understand Defra's sustainability goals and encourage them to reflect these in the work they deliver. Social value evaluation criteria are included as standard practice. Procurements that are led by Defra group Commercial are assigned an expert commercial lead to guide staff through the end-to-end procurement and advise on how best to embed sustainability into the individual project, ensuring minimum requirements are met and, where appropriate, exceeded.

Sustainable construction

Natural England's Property and Sustainability team continues to support the aims of the Defra group Workplace Design Guide. The guide allows us to create spaces that drive operational effectiveness, support our teams and new ways of working, while helping us deliver our sustainability goals and provide an inclusive estate.

In 2025-26, we continued to progress seven new major capital builds on the NNR estate, of which we are nearing completion of the new build at Lower Derwent Valley, alongside significant works at other sites progressing designs such as Yarner Wood, The Lizard and Martin Down. Our major build projects are to upgrade to a more sustainable BREEAM (Building Research Establishment Environmental Assessment Method) certified upgrade of the building, including new solar panels, heat pumps and batteries. This is critical as these are some of our biggest carbon producing sites as identified by our work with the Carbon Trust. All new builds are led by experienced specialist building project managers who follow the Defra guidelines on sustainable development, and the relevant BREEAM standards.

Additionally, the timber for Yarner Wood (that started construction in 2025-26, due to complete 2026-27) has been sourced from our own NNR woodlands and processed locally for the timber frame and cladding. We also completed an office refurbishment at Manchester Mosses which has received SKA certification.

ICT and Greener technology

As a part of the Defra group, we have adopted the [Greening government: ICT and digital services strategy \(2020-2025\)](#). Natural England's ICT and digital services are provided by Defra group Corporate Services through Defra Digital, Data, Technology and Security (DDTS). The ICT and Digital environmental impacts are reported at Defra Group level and adhere to Defra's ethical and environmental standards. More information can be found in the [Greening Government: ICT and Digital Services annual reports](#).

Climate change adaptation, resilience and risk

Natural England reports under the [Adaptation Reporting Power \(ARP\)](#) of the Climate Change Act 2008, which requires Natural England to assess the current and future predicted effects of climate change on our organisational aims and objectives. We produce a risk assessment and adaptation plan following guidance provided by Defra. We have produced a report in all four rounds of the Adaptation Reporting Power, with our most recent report published in January 2025. Our fourth-round report ([NE790](#)) updates our overarching climate change risk assessment, alongside an outline of adaptation plans. A key action within the ARP4 report is to develop an overarching KPI for Natural England's work on adaptation. Development of an adaptation KPI has been ongoing during the financial year 2025-26 with several options put forward for consideration.

In November 2025, Natural England published a new strategy: Recovering Nature for Growth, Health and Security. Outcome 4 of the strategy 'Delivering Security through Nature' outlines how nature helps us adapt to the threats of a changing climate and improves our national security. This includes expanding the use of nature-based solutions such as wetlands and urban greening to reduce flood risk, improve water quality,

address water scarcity and protect us from extreme heat.

Natural England has specific actions within the [Third National Adaptation Programme \(NAP3\)](#). For example, the delivery of the Nature Recovery Network (NRN) and providing guidance on adaptation advice for LNRS. The SSSI Future Reform Programme to adapt the designation and management of protected sites is also a key action. In addition, Natural England has responsibilities related to climate adaptation, resilience and risk on protected sites within the refresh of the Environmental Improvement Plan (EIP) published in December 2025. Commitment 67 in the EIP is to **make terrestrial protected site designation and management more dynamic and adaptive to the changing climate**. Natural England's actions include completing climate change risk assessments for Sites of Special Scientific Interest, implementing adaptive delivery plans for sites identified as being at high risk from climate change, and introducing adaptive management for high-risk features on Natural England-managed National Nature Reserves.

Supporting Nature recovery and biodiversity action planning

The [Greening government commitments \(2021 to 2025\)](#) require organisations with the greatest potential to improve biodiversity to develop and deliver Nature Recovery Plans for their land, estates, development and operations. Natural England is in an advantageous position in that nature recovery is a core part of our purpose.

Natural England has been working jointly with Defra on the Government Estate Nature Plan (GENP). The purpose of the GENP is to improve outcomes for nature across government land by addressing nature recovery as a shared, system-wide land-use challenge. Natural England is one of the Arm's-length Bodies (ALBs) who recognise the value of a collective approach to scaling their efforts across departmental boundaries (and beyond). The group provides supporting infrastructure to scale nature recovery on government land without imposing additional obligations. The initial period to 2030 will focus on trialling approaches, developing evidence and building the case for investment, creating the foundations for bigger, better and more joined-up delivery thereafter.



The story behind the picture: Greenbooth Reservoir, by Rebecca Eyre, capturing the interaction between nature and infrastructure.

Appendix A: Sustainability data table: details of performance.

Emissions	Unit	2025-26	2024-25	2023-24
Energy consumption as part of Scope 1	kWh	717,628 Office	1,194,392 Office	1,312,630 Office
		67,180 NNR	125,685 NNR	77,934 NNR
Direct emissions as part of Scope 1	tCO2e	311 Office	367 Office	385 Office
		29 NNR	39 NNR	23 NNR
Energy consumption as part of Scope 2	kWh	736,139 Office	889,371 Office	1,635,590 Office
		718,705 NNR	512,235 NNR	588,448 NNR
Indirect emissions from purchased energy (Scope 2)	tCO2e	130 Office	184 Office	339 Office
		141 NNR	106 NNR	122 NNR
Total Gross Scope 1&2 GHG emissions (incl. NNRs)	tCO2e	441** Office	551** Office	724** Office
		611 incl. NNR	696 incl. NNRs	869 incl. NNRs
Indirect emissions from all business travel (Scope 3)	tCO2e	762**	830	1077
Total gross emissions	tCO2e	1,204**/1373	1381**/1526	1801**/1946
Business travel (including NNRs)	Unit			
Car	tCO2e	556 not incl. NNR 180 NNR 736	619	877
% of Natural England NNR fleet classed as ULEV	-	22	20	8
Rail	tCO2e	164	198	169
Air	tCO2e	9	8	7
Domestic air travel	km	8,137	3,102	11,864
International air travel - short haul	km	40,537	64,093	63,720
International air-travel- long haul	km	10,323	17,687	0
Total business travel	tCO2e	942	830	1077
	£ '000s		3089*	3,315*
Office waste (just offices)	Unit			
Landfill	Tonnes	<1	<1	<1
Reused or recycled	Tonnes	34	50	54
Of which is total food waste composted from offices	Tonnes	-	-	-
Of which is food waste sent externally for composting	Tonnes	4	6	15
Incinerated to produce energy	Tonnes	10	15	16
Incinerated without energy recovery	Tonnes	0	0	-
Reused, recycled electrical equipment	Tonnes	-	-	-
Total office waste	Tonnes	49	65	70
Resource consumption (NNR and Offices combined)	Unit			
Purchased gas	kWh	784,808	1,320,077	1,390,564
Purchased renewable electricity	kWh	1,454,844	1,401,606	2,224,038
Total	£ '000s		432***	778***
Self-generated renewable energy (NNRs only)	kWh	57,000****	35,514****	27,942
Water supplied	cubic metres	6,162 Offices	3,547 Offices	3588 Offices
		39,455 NNRs	14,317 NNRs	6588 NNRs
		Total: 45,617	Total: 17,864	Total: 10,176
	£	43,047***	20,822***	59,342***
Paper from renewable or recycled sources	Reams	-	52	39

*Data from GGCs ** not including NNRs ***Office recharge data FY 2025/2026 ****This figure has been estimated using meter readings and averaged over a year.

Task Force on Climate-related Financial Disclosures

Introduction

The UK government recognised the recommendations of the [Task Force on Climate-Related Financial Disclosures \(TCFD\)](#) as one of the most effective frameworks for organisations to analyse, understand, and ultimately disclose climate-related financial information against. While the TCFD recommendations were designed for the private sector, the public sector similarly requires climate-related information for decision-making and accountability, and the government has decided to follow international good practice by following the [TCFD framework](#).

TCFD Compliance Statement

Natural England's TCFD disclosure focuses on climate-related risks and opportunities associated with our estate (including National Nature Reserves) and operational activities (including management of the protected sites network). Within this scope, climate change is not currently assessed as a principal risk for the purposes of the 2025–26 disclosure, nor is it captured within another principal risk. Accordingly, Natural England is required to meet the minimum TCFD reporting requirements for 2025–26. We consider that we have met these requirements through disclosures covering Governance (A) and (B), Risk Management (A) to (C), and Metrics and Targets (B).

As part of our continued development of climate-related financial disclosures, we have also provided information against the Strategy (A) to (C) and Metrics and Targets (A) and (C) recommendations. These disclosures are included to provide additional context and transparency rather than to demonstrate full alignment with those recommendations.

Natural England continues to strengthen its approach to climate-related governance, risk management and reporting. To achieve full alignment with HM Treasury's TCFD guidance, further development is required in the integration of climate-related risks and opportunities into strategic and financial planning processes. In the context of the wider organisational reforms currently underway, we will use 2026–27 to further enhance our governance arrangements and

climate risk identification and management processes, supporting the continued maturity of our TCFD reporting.

Governance

A. Natural England's Board's oversight of climate-related risks and opportunities – Compliant

Natural England's Board provides leadership for the organisation by setting the strategy and direction and ensuring that effective arrangements are in place to provide assurance on risk management, governance, and internal control. In short, the Board is the decision-making authority.

As part of the Board's role in setting the organisation's future strategic direction, it recently approved the new organisational Strategy titled '[Recovering Nature for Growth, Health and Security 2025-2030](#)'. This Strategy sets out how Natural England will move beyond protection to systemic, large-scale recovery of nature. It is framed through four strategic outcomes. Each of these outcomes reinforces and amplifies the others, and together they address environmental, social and economic actions critical to thriving nature. Outcome 4 'Delivering Security through Nature' identifies the critical role nature has in helping us adapt to the threats of a changing climate whilst improving our national resilience to change.

The Board further adopted the 'Climate Change Strategic Plan' in 2023 which sets out how Natural England will achieve its 'high nature, low carbon' ambitions and the governance arrangements for this work.

B. Management's role in assessing and managing climate-related risks and opportunities - Compliant

- **Natural England Executive Committee (NExCo)** is responsible for the overall leadership of our climate change work, confirming the level of ambition and priority given to our climate change work, reviewing progress and providing overall decision making on resourcing.
- **The Portfolio Committee**

(PortCo) is accountable for tracking progress on how climate action is implemented and ensuring the required resource allocations to embed climate action across the organisation. There are six portfolios across Natural England. Each is responsible for commissioning and coordinating climate change mitigation and adaptation within their workstreams.

- **The Climate Action Project Board** acts as an oversight group to manage the direction of climate action as directed by the Climate Change Strategic Plan. The project board reports to the **Portfolio Committee** and provides an integrated view of whether the action across the Portfolios matches our climate change ambitions.
- **The Climate Action Project Team** is the main delivery group through which the organisation seeks to achieve its ambitions to embed climate change mitigation and adaptation across all its work, including the objectives set out in the Strategic Plan. A representative from all six corporate portfolios is included within the Team.

The risks of climate change to Natural England's aims and objectives are assessed through the Adaptation Reporting Power (see Sustainability Report). In Natural England's fourth-round report ([NE790](#)), adaptation plans are provided for work areas across our six corporate portfolios over a five-year period. The fourth-round report was approved through our Portfolio Committee and Executive Committee following consultation with the six portfolios as outlined above.

Natural England has specific actions within the National Adaptation Programme (NAP3). For example, the delivery of the Nature Recovery Network (NRN) and providing guidance on adaptation advice for LNRS. The SSSI Future Reform Programme to adapt the designation and management of protected

sites is also a key action. NAP actions are mainly to be delivered through existing or planned policy instruments. NAP actions will therefore reaffirm existing policy instruments and deliverables Natural England is committed to, ensuring climate change adaptation is embedded.

Strategy

A. The climate-related risks and opportunities identified over the short, medium, and long term - Explain

Natural England reports under the Adaptation Reporting Power (ARP) of the Climate Change Act 2008. This requires Natural England to assess the current and future predicted effects of climate change on our organisational aims and objectives. We produce a risk assessment using impact and likelihood ratings to consider the severity and urgency of climate-related risks to our organisational aims and objectives.

Our climate risk assessment considers present-day, medium-term and long-term risks to our aims and objectives. Medium- and long-term risks use two horizons of 2050 and 2080. We have referred to the UK Climate Projections 2018 to assess the risks at 2°C and 4°C. For full details of the methodology, see Appendix 2 in [NE790](#).

Our overarching risk assessment recognises that most of the climate change risks facing our organisational aims are interrelated due to how climate change is and will continue to affect the natural environment. It further shows that climate change is already impacting our ability to recover and conserve the natural environment (see table below).

Climate change presents some strategic opportunities. For instance, changing climatic conditions may provide new opportunities for rare and threatened species to colonise new locations. There is the opportunity, as a science and evidence led organisation, to provide our evidence and expertise in accessible formats and shape the response to the climate crisis with key partners.

Risk type	Risk	Horizon	Rationale
Physical	Operational - Maintaining the viability of the Nature Recovery Network, Protected Sites Network (including Marine Protected Areas), Protected Landscapes and recover threatened species and habitats.	Short term	Climate change impacts are already being observed on ecosystems, protected sites and the network, protected landscapes, habitats and species.
	Operational – Maintaining natural capital and its contribution to agriculture, fisheries and sustainable development including farm advice and net gain.	Short term	Climate change impacts already observed on natural capital.
	Coordination and delivery - Viability of natural areas for people to access and connect with nature.	Medium term	Accessible areas for people to access and connect with nature are still expected. However, disruption to access and viability of areas is already observed from flooding and wildfire.
Transition	Reputational - Natural England's role as a leader in nature recovery and climate change.	Medium term	As climate change impacts continue to develop, we expect increased scrutiny of our plans and response to climate change impacts.

B. The impact of climate-related risks and opportunities on Natural England's business, strategy, and financial planning - Explain

Climate-related risks and opportunities will impact the way we need to operate. Physical assets, like the King's Coastal Path, will need to be made more resilient to climate change over the long term. Habitats may need to be managed in a more climate-adaptive manner to retain features of interest and potentially sequester carbon (where possible). Protected site designations need to take account of climate change, both when setting their boundaries and when considering what features (e.g. habitats or species) the site should protect. Investment decision making will need to factor short to long term climate related impacts to ensure nature recovery is deliverable and maintainable.

The natural environment is intrinsically linked with climate change and therefore the organisation recognises the need to account for this when developing new strategies. These climate-related risks and opportunities have therefore been reflected with the

publication of the Natural England Strategy. This drives the organisation to shift how it operates, by moving beyond protection to systemic, large-scale recovery of nature so that we can adapt to the threats of a changing climate whilst improving our national resilience. We anticipate the need to continually assess where we focus climate mitigation and adaption action and draw on a wider variety of stakeholders and private finance to deliver actions.

We anticipate that adapting to climate change impacts will bring financial implications. There may be increased management costs to maintain or recover features of interest across our protected sites network, increased costs of maintaining assets like the National Nature Reserve estate, and increased adaptation needs or pressures on monitoring to understand the impact of climate change on the natural environment. There could also be costs associated with emergency rectification works, e.g. management of habitats after a flooding or wildfire event. Natural England currently considers climate change when

determining financial spend through business planning processes.

C. The resilience of Natural England's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario - Explain

We are working to embed the new Natural England Strategy and thus climate mitigation and adaptation action across the organisation. The Strategy is high level and therefore likely to be resilient under both a 2°C and 4°C warming scenario given it is underpinned by four strategic outcomes that work cohesively to deliver a resilient landscape. The same applies for the Climate Change Strategic Plan. The Strategic Plan is underpinned by six objectives that focus on delivering the culture change needed within Natural England to align action to address the climate and nature emergencies. This Plan sets out several practical actions to reduce our carbon footprint and contribute to net zero through nature recovery actions and adapt people to climate change using nature-based solutions. We expect that, under a 4°C warming scenario, there may be policy changes requiring more urgent action. As such we would expect that climate action may need to be delivered at a higher pace and would be more costly.

Natural England intends to continue to develop the 'strategy' pillar of our TCFD disclosure. The organisation is undertaking a programme of critical reforms, including moving towards a customer-led service model, which are likely to provide opportunities to further embed climate action across the organisation.

Risk

A. The processes for identifying and assessing climate-related risks - Compliant

Natural England does not list climate change as a principal risk within our Strategic Risk Register. This top-down view records high level risks to the organisation, for instance, ability to deliver our strategic aims and staffing capability and capacity. Climate change could affect each of the principal risks in some way, therefore it is considered an intrinsic part of each of the principal risks

identified for Natural England. Given the widespread manner climate change could affect Natural England, it is important to identify and assess climate risks at a more granular level. This ensures that action is targeted and deliverable.

As detailed above, climate risks are identified through the Adaptation Reporting Power (ARP) of the Climate Change Act 2008. This power requires Natural England to assess the current and future predicted effects of climate change on our organisational aims and objectives. We produce a risk assessment using impact and likelihood ratings to consider the severity and urgency of climate related risks and the results can be found in [NE790](#). This risk assessment is based on the six five-year aims, which also contribute to the Defra group's priority outcomes and align with the Government's 25 YEP, set in the 2021-22 Action Plan.

Natural England has a well-established methodology for assessing climate vulnerability on our National Nature Reserves (NNRs). These assessments cover the NNR estate, which comprises the sites that Natural England manage for people and nature. More recently, climate change has been assessed as part of condition monitoring on SSSIs by undertaking a Climate Change Risk Assessment (CCRA). A CCRA reviews the current and future climatic impact on a feature(s) and how climate impacts interact with other pressures on a site. A level of risk is assigned to features (0-5) and comments are provided on the impact for each climate pressure i.e. temperature; rainfall; sea level rise; extreme events.

B. The processes for managing climate-related risks - Compliant

The risk assessment and adaptation provided under ARP4 ([NE790](#)) sets out a range of actions to address climate risks to the organisation up until the end of 2029. These actions encompass different work areas across Natural England's remit and are separated by the organisation's six corporate portfolios. The portfolios are responsible for implementing the actions outlined in the plan. Following Defra guidance provided for ARP4, the adaptation plan also includes indicators of success for all adaptation actions within the plan. Natural England will monitor progress in

implementing these actions on a periodic basis over the 5-year period of the plan.

The Climate Action Project Board continues to review progress against Strategic Plan objectives and identify risks and opportunities to delivery, with the intention of accelerating joint climate and nature work and prioritising the activities that will have the biggest impact. This work is ongoing in the face of the new organisational strategy and critical reforms being undertaken.

C. Integrating climate change risks into wider risk management - Compliant

With the publication of the new organisational strategy, we will undertake further work to embed climate risks within wider risk management. We are continuing to develop novel, innovative and adaptive approaches given most of the climate change risks facing Natural England's organisational aims are interrelated due to the systemic ways in which climate change is, and increasingly will, affect the natural environment. The causes of nature's decline are increasingly intertwined with the acute and chronic impacts of climate change, which are exacerbating wider pressures and accelerating biodiversity loss (for example, the additional impacts of drought conditions on wetland species pressured by pollution and habitat loss).

Metrics and Targets

A. Metrics used to assess climate-related risks and opportunities in line with our strategy and risk management process - Explain

Natural England has one Key Performance Indicator for 2025-26 for climate change:

KPI 7 to restore 4,000 hectares of peatlands through the Nature for Climate Fund (NCF) Peatland Grant Scheme. This KPI supports Natural England's ambitions to deliver climate mitigation. The metric underpinning this KPI stems from the Environmental Improvement Plan (EIP) Commitment 10 – to restore or create a total of 250,000 hectares of a range of wildlife-rich habitats outside of protected sites by December 2030.

Natural England has provided indicators of success for all adaptation actions within the ARP4 ([NE790](#)). These indicators are listed against each action within Tables 2 to 7. Indicators are categorised as either an input, activity, output, outcome or impact of the intervention. For example, the indicator used to assess climate vulnerability across the National Nature Reserve network is an activity measure; that all 134 vulnerability assessments are to be completed by 2030. Our overall progress on embedding climate change action is monitored through the groups outlined in 'Governance' above.

B. Emissions reporting – Compliant

The greenhouse gas emissions for Natural England for 2025-26 are laid out in the Sustainability Report. Here, Scope 1, 2 and Scope 3 (business travel) emissions are stated and our actions to mitigate any risks rising from these. Natural England's greenhouse gas emission for offices, NNRs, homeworking, commuting, and business travel are calculated in line with the Greenhouse Gas Protocol methodology and are presented in such a way that they can be aggregated and compared. Emissions and other metrics have been provided for the last three years. Where novel techniques for estimation have been used, these have been explained.

C. Targets used to manage climate-related risks and opportunities and performance against targets - Explain

Targets for managing climate-related risks are based on the actions within the ARP4 report. We have provided indicators of success for all adaptation actions within our adaptation plan. Most of these indicators relate to whether planned actions have been undertaken and implemented. We do not yet have bespoke indicators to monitor reduction in climate vulnerability. A key action within the ARP4 report is to develop an overarching KPI for our work on adaptation. Our overall progress on embedding climate change action is monitored through the Climate Action Project governance.

Financial performance

Our funding

Most of our activities are funded with Grant-in-Aid (GiA) from Defra, and the proportion of our overall income that comes from GiA has reduced from 91% to 89% due to a 13% increase from non-Defra income. Our spending allocations from Defra for 2025-26 derived from the overall departmental budgets set in the first phase of Spending Review 2025.

Furthermore, we fund some of our activities by charging for services like the Discretionary Advice Service and delivering habitat mitigation solutions for developers through the District Level Licensing scheme and the Nutrient Mitigation Scheme. We also seek external funding for projects from organisations like the Heritage Lottery Fund and The Crown Estate. Income from non-Defra sources increased from £30.0 million in 2024-25 to £34.0 million in 2025-26, making up 11% of our combined Defra and non-Defra income.

Analysis of the Statement of Comprehensive Net Expenditure

Grants

Grant expenditure reduced from £48.7 million in 2024-25 to £39.2 million in 2025-26, primarily driven by a planned reduction in expenditure on grants under the Nature for Climate Peatland Grant Scheme whilst future funding was being secured and the Nature Returns programme coming to an end. Additional to these amounts, £7.0 million of expense was recognised outside the grants category in respect of the conditional repayable grant funding provided or irrevocably committed within the Landscape Recovery programme. (see Notes 2.5, 3, and 8).

Research and development

Research and development (R&D) spending was 4% lower in 2025-26, reducing by £1.2 million from £31.1 million in 2024-25 to £29.9 million, largely due to a reduction in the Natural Capital Ecosystem Assessment programme. Whilst there was a small reduction compared to the prior year, R&D spending remains well above the amount

reported in 2023-24 (£23.6 million) and 2022-23 (£12.9 million).

Staffing

Staff expenditure remains our largest area of costs, which increased by £13.2 million from 2024-25 to £166.8 million in 2025-26. This 9% increase is primarily due to the costs of the voluntary exit scheme, which saw 212 employees leave the organisation at a resource cost of £10.2 million. We also implemented the first phase of a two-year pay award, allowing us to make an average award of 7% in 2025-26 with a further award to be made in 2026-27. The average number of full-time equivalent (FTE) staff during the year fell from 2,974 to 2,700.

Income from our customers

Income from the fees and charges we make on the services we provide, including our habitat mitigation schemes, increased by 23% from £24.2 million to £29.8 million. This is largely due to a £5.9 million increase from the District Level Licensing scheme, which is used by developers to mitigate the impact of development on the Great Crested Newt species and which saw an increase in the number of cases progressing to the stage at which income is recognised. The pond fee also increased during May 2024 and there is a time lag between the increase being implemented and it being reflected in income.

Income from our partners

As well as income for providing services to our customers, we also receive grant funding from other organisations who share our ambitions for nature. This reduced by 28% from £5.8 million in 2024-25 to £4.2 million in 2025-26. Grant income can vary from year-to-year and reflects the progress in these jointly-funded projects through their lifecycles. The decrease in 2025-26 was partly driven by less income recognised from projects led by The Crown Estate compared with the previous year.

Analysis of the Statement of Financial Position

Heritage assets

The value of our heritage asset portfolio, which comprises the National Nature Reserves increased by £2.9 million to £115.3 million following a desktop revaluation

conducted by our external valuers. The increase was supported by evidence of local land sales in areas surrounding some of our heritage assets. No new heritage assets were acquired during the year.

Property, plant and equipment

The net book value of our property, plant and equipment (PPE) grew by 10% from £60.1 million to £66.0 million. This is largely due to continued investment across our estate, particularly our new facility at Lower Derwent Valley.

Inventories

Our inventories comprise primarily of nutrient credits intended for sale under the Nutrient Mitigation Scheme, and a small amount of livestock. Inventory fell from £13.2 million to £2.4 million which is made up of £5.0 million of credit sales, £4.2 million of credit purchases, and an impairment of £10.0 million due to demand conditions affecting the value of the nutrient credits that can be recovered through sales.

Trade and other payables

There was small increase in trade and other payables (excluding obligations under leases)

which rose from £59.8 million to £70.0 million. This is primarily due to the increased tax and social security payable at the year-end, following the implementation of a back-dated pay award in March 2026, and the recognition of an expected credit loss on undrawn commitments made under the Landscape Recovery scheme.

Trade and other receivables

Our trade and other receivables increased by 24%, from £29.8 million to £36.9 million. This increase is primarily driven by an increase in accrued income recognised through the District Level Licensing scheme and is consistent with the increase in income explained in the analysis of income from our customers.

Going concern

Natural England considers that we have sufficient resources and expected future funding to continue to meet our future expenditure until at least 30 October 2027, and consequently we have adopted the going concern basis for preparation of its financial statements for the year ending 31 March 2026 as at the date they are signed.

Neil Hornby

Chief Executive
Natural England

12 October 2026

Accountability report -

provides the key accountability requirements to Parliament;

- Corporate Governance Report
- Remuneration and Staff Report
- Parliamentary Accountability and Audit Report

Corporate Governance Report

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

Director's report

Leadership

Marian Spain assumed the role of Natural England's Interim Chief Executive and Accounting Officer on 3 December 2018 and was appointed on a substantive basis on 29 April 2020. On 17 March 2026, she announced her retirement. Neil Hornby was appointed Chief Executive from 1 October 2026, following Marian's departure from the role on 30 September 2026.

Tony Juniper was appointed as Chair on 23 April 2019 for a three-year period, then reappointed for a further three-year term. On 23 April 2025 he commenced a third term, scheduled to run for two years.

Governance: composition of management board

The Natural Environment and Rural Communities (NERC) Act 2006 specifies that Natural England's Non-Executive Board must comprise a chair and no fewer than eight, and no more than fifteen other members.

As of the 31 March 2026, the Board comprised 11 non-executive board members (including the chair) and the chief executive as an ex officio member. Full details can be found in the staff and remuneration report.

Details of the membership attendance year 2025-26 is provided in the governance statement below. The relevant Defra Director General and Defra Group Corporate Services business partners are invited to attend board meetings as appropriate, as non-voting attendees. Defra Finance and HR directors attend in their capacity as officers of Natural England.

Any significant interests held by board members which may conflict with their stewardship responsibilities are recorded and published in the [Natural England register of board members' interests](#).

Personal data related incidents

During 2025-26 we continued activities to ensure compliance with data protection legislation and Information Commissioner's Office (ICO) guidance including the completion of the ICO recommended Accountability Framework, demonstrating that compliance is improving.

The Data Protection Officer, data protection team and legal advisers continued to provide advice and guidance and raise awareness around data protection and privacy issues across the Natural England portfolios. In all cases where personal data breaches occurred or risks were identified, Natural England worked with staff effectively to address issues and revise our processes.

Most personal security breaches over the past year have involved information sent over email in error. There have been no personal data breaches that have met the threshold for reporting to the ICO during this period. For further details of all Natural England's Security Incidents see page 39.



The story behind the picture: A honeybee feeding on common knapweed, by Jenny Crouch

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 situation of Natural England and of our 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 to:

- observe the Accounts Direction issued by the Secretary of State, 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, and
- 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 sought and received assurance from the outgoing Chief Executive, Marian Spain, to make myself aware of any relevant audit information and to establish that Natural England's auditors are aware of that information. As far as I am aware, there is no relevant audit information of which the auditors are unaware.

Governance statement

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 2025-26.

It will report on any specific control issues identified in 2025-26 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 (ARAC) and with my own personal statement regarding the assurance I take around Natural England's arrangements and will set out any specific areas of current and future focus.

Overall governance arrangements

Non-executive governance

The requirements for Natural England's governance arrangements are set out in the [Natural England Framework Document](#).

The Non-Executive Board has a number of functions including to:

- agree the strategic direction of Natural England within the policy and resources framework determined by the Secretary of State.
- provide effective leadership of Natural England within a framework of prudent and effective controls which enables risk to be assessed and managed.
- set the long-term direction for the Executive team and the tone and pace needed to deliver the agreed strategies and plans.
- ensure the financial and human resources are in place for Natural England to meet its objectives.
- agree annual action plan to set out Natural England’s specific delivery commitments and approve the appropriate allocation of resources.
- ensure that the board receives and reviews regular financial and management information concerning the management of Natural England.
- approve all matters not delegated to the Chief Executive under the Natural England Schemes of Delegation.

To assist in the delivery of these functions, the Natural England Board has established the following sub-committees:

The Audit and Risk Assurance Committee

ARAC members	Date left (if applicable)
Cynthia Alers (Chair Dec 2024 – Jul 2025)	-
Mark Tufnell (acting Chair from Jul 2025, Chair from Nov 2025)	-
Lynn Dicks	-
Mel Austin	31 March 2025
Peter Unwin	31 May 2025

To support the board in their responsibilities for issues of risk, control and governance by

reviewing the comprehensiveness of assurances in meeting the board and Accounting Officer’s assurance needs and reviewing the reliability and integrity of these assurances.

The People and Remuneration Committee (PRemCom)

To support Natural England’s Chief Executive in: (i) exercising Natural England’s delegated pay authority for Natural England senior leadership and staff; (ii) advising the Chief Executive in exercising their wider responsibilities regarding people; (iii) strategic approaches to and policies on people-related issues that impact Natural England’s performance and success.

The National Nature Reserves Declaration Committee (NNRDC)

To support Natural England in fulfilling our statutory role in relation to National Nature Reserve (NNR) declarations and to enable Natural England to deliver the Environmental Improvement Plan 2023 (EIP23) target for 25 new NNRs by the end of 2027-28.

The Natural England Board is also supported by these advisory sub-groups:

The Natural England Science Advisory Committee (NESAC)

To provide independent advice, challenge and review to Natural England’s science and evidence functions and to work to strengthen our relationship with the wider scientific community.

The Natural England Landscape Advisory Panel (NELAP)

To advise and support the organisation to deliver strong landscape leadership and achieve transformative change for England’s landscapes and people.

In addition, other temporary board sub-groups are periodically established to provide advice specific topics.

Executive governance

Natural England Executive Committee

The Natural England Executive Committee, or NExCo, helps the Chief Executive carry out

their responsibilities as delegated to them by the Board.

It makes decisions on the day-to-day running of the organisation and organisational planning. It provides leadership to the organisation in setting plans, reviewing performance and ensuring resources are allocated accordingly.

Portfolio Committee

Underpins Natural England’s planning. Its aim is to oversee long-term strategic planning and annual business planning and to ensure we have an integrated business plan that enables the delivery of our strategic aims and objectives.

Delivery Committee

Underpins delivery. Its aim is to determine the portfolios’ delivery plan targets for the annual Natural England action plan; ensure that Natural England delivers against the action plan commitments by implementing and monitoring business as usual and change activities and enable and support issue and risk resolution across the portfolios.

People Committee

Gives executive leadership to our people related priorities as set out in the Strategic Workforce Plan, and to ensure we meet our regulatory and legal responsibilities as an employer, providing issue and risk resolution as required.

Sub committees review

A review of the sub-committees within executive governance has led to a change in the number of committees heading into 2026-27 with the merging of Portfolio Committee and Delivery Committee to form one committee. This change took effect from 25th June 2026.

Portfolio Boards

As part of the work to implement the Target Operating Model, Natural England is moving towards a service approach. This will result in the existing Portfolio Boards being replaced by a single, streamlined governance structure.

Delivery and assurances

The table below sets out attendance levels at the Natural England Board by each of the Board members.

Board member	Attendance
Tony Juniper (Chair)	6/7
Marian Spain (Chief Executive, ex-officio)	7/7
Kim Shillinglaw	3/7
Peter Unwin	6/7
Claire Fitzsimmons	6/7
Dame Caroline Spelman	6/7
Lynn Dicks	6/7
Mel Austen	7/7
Cynthia Alers	5/7
Alastair Leake	7/7
James Scott	7/7
Mark Tufnell	6/7

The following table summarises the number of times each committee met.

Subcommittee	No. of meetings
Board	7
ARAC	5
PRemCom	6
NNRDC	3
NESAC	4
NELAP	3

ARAC Effectiveness Review

An internally facilitated ARAC Effectiveness Review was commissioned in October 2025 to provide an assessment of the committee’s performance, governance arrangements, and alignment with best practice outlined by HM Treasury. By 18th February 2026 the evidence gathering stage had completed. Input had been sought from all ARAC members and the ARAC secretariat function via MS Form questionnaires. Several emerging themes and findings had been identified and relayed to the ARAC to determine actions moving

forward. A completed paper with a comprehensive action plan was taken to ARAC for sign-off in May 2026. Action roll-out will continue throughout the remainder of 2026 with another review planned in Q4 2026-27 to review the impact of actions and to invite further reflection.

Board Effectiveness Review

An external review of Natural England’s Board was carried out by KPMG between February and July 2025 to assess the Board’s effectiveness, including whether it has the structure, processes, people and performance to deliver. KPMG assessors carried out interviews with the Chair and all current Board Members, a sample of Board Members who left the Board in the last 12 months, the Chief Executive and chief

officers, and key Defra stakeholders. They also observed the May 2025 Board meeting. A detailed report was provided in July 2025, which included 13 recommendations. An action plan was agreed between the Governance Team and the Board and Executive Services team to implement these recommendations, which was completed by December 2025, although the recommendation on increasing Board diversity is an ongoing process and remains on the Strategic Risk register. Overall feedback from KPMG was that Natural England Board is ‘effective’ and good practice was noted, particularly the effective leadership from Chair and CEO.

Risk management

Risk management framework overview

The risk management framework within Natural England allows us to maintain an overview of both strategic and key business as usual risks at the appropriate level, through use of two complementary risk registers (see figure 1). The relationship between these two registers is supported through an escalation governance structure utilising our portfolio teams and executive subcommittees.

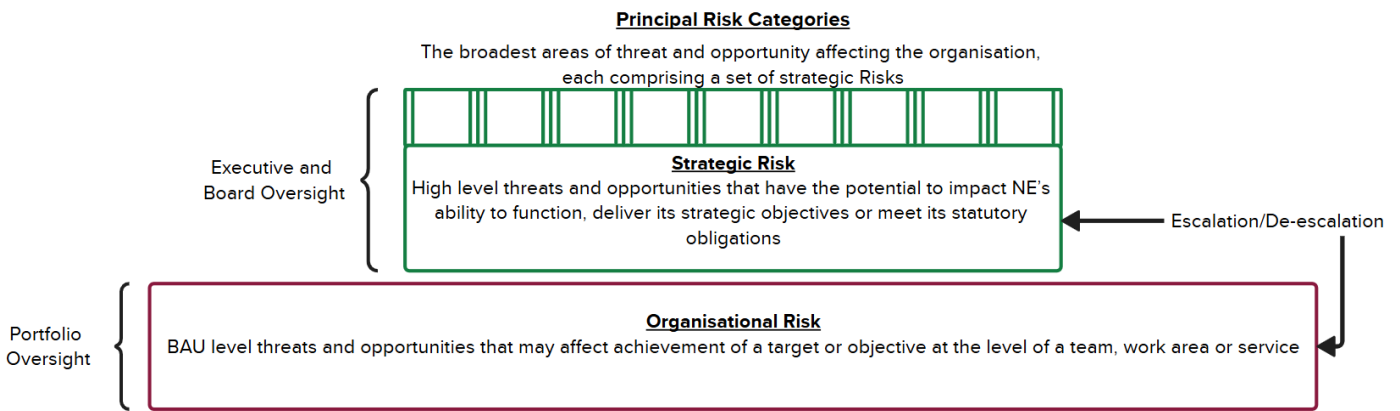


Figure 1- Risk Management Structure

Roles and responsibilities

Everyone at Natural England has a role to play in effective risk management and over the course of 2025-26 we have focused on developing a risk-aware culture to support this. In addition to the routine expectation for all staff to recognise and report risks where they identify them, this year all staff have had the opportunity to engage with awareness

sessions about risk appetite and its application in the organisation.

Within our risk framework we have defined roles and responsibilities to ensure that key functions of risk management are achieved consistently and reliably.

Board - maintain overall oversight that effective arrangements are in place to provide assurance of risk management

ARAC - support the Board in overseeing the organisation's risk management framework; ensuring it identifies, assesses, and mitigates strategic risk, organisational risks and emerging risks

Executive Team - manage the Strategic Risk Register, oversee the organisation-level Central Risk Register and review risks escalated from executive sub-committees

Corporate Risk Team – a central support team who implement and maintain an appropriate framework for risk management across the organisation, including user focused tools and processes

Risk Owners - assess and appropriately manage individual risks, develop and implement proportionate mitigation, regularly report on progress

Identification of risk

Identification of risk takes place through both formal and informal routes at every level of the organisation. During 2025-26 the Corporate Risk team were aligned to the Strategy Group, with the aim of strengthening identification of risk in the earliest stages of strategic planning. A process of continuous Strategic Risk review has been implemented to identify any changes to risk detail or context as early as possible.

Risks identified at an organisational level are recorded through a “self-serve” model directly into the central Risk Register. The Risk Register tool allows reporters to assign ownership and complete an initial risk assessment.

We aim to strengthen this area over 2026-27 with the planned introduction of a formal horizon scanning process.

Routine monitoring and review

Oversight of risk management is maintained through a regular suite of reporting, which provides assurance to the Board and Accounting Officer. Data relating to Strategic Risk was recently integrated into overall Performance reporting, to provide a clearer view of how risk affects organisational performance. Risk data is reviewed quarterly by both the Board and Executive Committee and summarised for presentation at the Audit and Risk Assurance Committee.

We utilise third line assurance to evaluate our compliance with [Orange Book requirements](#), through our internal audit programme. During 2025-26 the Government Internal Audit Agency undertook a follow-up audit, reviewing progress made since their audit of risk management practices at Natural England in 2024. The final report noted significant positive progress in risk management since the initial audit, including integration of risk management into the Strategy Group and implementation of risk appetite statements.

“Natural England exists to deliver nature recovery to support health, growth and security across England, operating with a clear remit of statutory responsibilities as the Government’s adviser for nature. Our Executive Committee and Board have set defined risk appetites to balance ambition with accountability. We are keen to encourage science-based innovation that can unlock better outcomes for nature and therefore have a higher risk appetite in areas such as licensing, planning and landscape recovery, while we have a lower appetite in areas of health and safety, financial stewardship and internal control.”

Figure 2- Natural England Risk Appetite Statement

Evaluation

A key success over the reporting period was the development and implementation of a defined risk appetite for the organisation. The direction of risk appetite development was steered by the Board and Executive Committee and involved significant engagement with teams developing our new strategy and implementing the outcomes of government reviews. An overarching risk appetite statement, which aligns with our Strategic Policy Statement, now sits over a suite of more detailed

operational statements. A large scale roll out programme delivered awareness to staff, at all levels of the organisation, in how to utilise risk appetite in day-to-day decision making.

The year end evaluation suggests an improving picture in our strategic risk profile, with a reduction in the average severity of our principal risks, but a broader spread of principal risk scores from Q1 to Q4. Over that period 3 of our principal risks have improved in severity, 5 have remained stable across the year and 1 has worsened.

Improving	Stable	Worsening
• Keep People Safe and Well • Staff Capacity and Capability • Delivering our Key Operational Outcomes	• Reflecting the Communities We Serve • Agility to Deliver Strategic Change • Trusted with Public Money • Defra Group Operating Context • Effective Governance	• Relevant to the Society We Serve (External Operating Context)

Improving risk scores have been driven by Natural England’s strong people focus. Through mitigations undertaken in relation to our people focussed risks we have seen an improved remuneration offer for staff and a decrease in reported stress-related incidents. Supporting our staff to provide strong customer service has improved the profile of our risk relating to operational outcomes, through building confidence in our customer base.

The external operating context in which Natural England sits has been changeable over 2025-26, posing uncertainty to the organisation as a whole and leading to the worsening of the associated risk score in this area. Natural England published a new strategy in 2025-26, which introduced initial uncertainty for partners and customers. Whilst the strategy has been well received, mitigation continues through engagement activities and internal development. The scale of change across wider government and Defra group has required us to be agile in responding to novel requests, including those focused on legislative reform, which have introduced uncertainty into our routine portfolio of work. We have begun to respond to this risk by strengthening our Project

Delivery function and implementing a programme of internal reforms to improve future organisational agility.

The majority of our principal risks have remained stable over the reporting period, with small changes in risk profile leading to a balanced picture. Key themes have been identified within our stable risks, with the aim of targeting mitigation progress for these risks going into 2026-27:

- Change complexity
- Digital infrastructure
- Inclusion and representation

Developments in the risk framework are now prioritised in line with a continuous improvement plan, which is regularly reviewed to ensure priorities remain current within our changing landscape.

Internal control

The internal control environment within Natural England is comprised of a set of processes, guidance and verification checks that provide assurance of adequate risk control across the organisation. Our internal control environment is structured in line with the “three lines of defence” model.

First line controls: Risk controls embedded in business-as-usual activities.

Second line controls: Cross-organisational processes, effectiveness monitoring and post-activity control checks performed by a dedicated assurance team.

Third line controls: Independent process checks performed via an internal audit programme.

Our first line controls are embedded into operational processes and managed by the front-line owners of those processes. The Assurance team provide advice and support to process owners regarding control implementation. An annual return exercise is undertaken by operational staff in which they provide self-assessment data related to their assurance activities over the year.

The second line controls within the organisation are managed by the Assurance team and involve both issuing processes and guidance to build the control environment, and monitoring and reporting on the effectiveness of that control environment. Routine measures demonstrating the effectiveness of the control environment are reported to ARAC on a quarterly basis. Key areas of focus within the Assurance team over the course of 2025-26 have been:

- Improved management of internal audit actions.
- Alignment of counter fraud reporting, with other Defra group organisations.

- Strengthening of post-spend financial control monitoring.
- Strengthening counter fraud internal processes.

Third line assurance is provided through our internal audit programme, which is planned and delivered by the Government Internal Audit Agency (GIAA). The programme is developed in discussion with Natural England Executive Committee, Directors and the Assurance team to understand current and upcoming risk priorities for the organisation and approved by ARAC.

Natural England continues to work with GIAA to improve its internal audit processes and ensure that they lead to organisational improvement. We have refined our action tracking and sought to derive greater value from audits already undertaken through identifying common themes between audits and where improvements can be made at scale in the organisation, all in partnership with the Head of Internal Audit for Natural England.

During the 2025-26 audit programme a total of six assurance audits and two advisory audits were completed. The outcomes are listed in the table below. Completion of audit actions is tracked by the Natural England Assurance team and compliance with action target dates is monitored and reported regularly to ARAC. The overall annual opinion reported by the Head of Internal Audit for GIAA was moderate.

Audit Type	Total	Audit Opinion-Limited	Audit Opinion-Moderate	Audit Opinion-Substantial
Assurance	6	3	3	0
Advisory	2	N/A	N/A	N/A
Follow up of previous limited outcomes	3	N/A	N/A	N/A

Whistleblowing and counter-fraud

During 2025-26 Natural England continued to strengthen our approach to whistleblowing and counter-fraud, supported by internal actions and group-wide improvements across Defra.

Two whistleblowing matters relating to Dartmoor, first raised in previous reporting period, progressed further during the year. The Office for Environmental Protection (OEP) is currently assessing one matter.

Following a GIAA limited audit on whistleblowing. Natural England initiated an improvement plan through quarter four and into 2026-27, focused on revising policy documentation, clarifying accountability, improving case-tracking and ensuring more robust communication with staff raising concerns.

Defra continues to support counter-fraud activity across the group through its counter fraud strategy, which emphasises building fraud awareness and capability, preventing fraud and error through strong governance and risk oversight, and improving reporting and detection through better data and insight.

Natural England participates in Defra’s Counter Fraud Community and reports all fraud and error metrics through to ARAC to enable quick trend identification. Mandatory counter fraud training remains a requirement for all staff.

During 2025-26 Natural England recorded two allegations of fraud. Both cases were taken further into investigation with our partners in Defra, then returned to Natural England to handle via the internal misconduct process. One case has concluded. The other remains ongoing. Where possible, allegations were quantified and reported to the Public Sector Fraud Authority (PSFA), alongside routine error measures. 12 total instances of financial fraud were detected with a value of £36,437.17. 186 instances of financial error were detected with a value of £215,268.97.

Natural England received an organisational fraud risk assessment from GIAA in February 2026. Work is now underway to implement the recommended actions, strengthen controls and further improve our compliance with Government Counter Fraud Functional Standard. Work continues to embed strong controls, improved fraud awareness and reduce financial loss.

Security and Information Management

Natural England, like other public bodies, maintains various responsibilities for ensuring the security of our staff, our public

assets, and the citizen data we hold, or process in the organisation.

Natural England remains committed to fostering strong security and information practices by actively engaging with teams focused on digital and data initiatives, and by addressing issues comprehensively through the Digital & Data Steering Group. Additionally, we continue to enhance the [Information Commissioner's Accountability Framework](#) with a maintained emphasis on delivering Security, Data Protection and Records and Information Management Training across the breadth of the organisation.

As part of the Defra group’s effort to phase out legacy applications, we have now migrated all records from our old network shared drives to the new SharePoint Online Records Hub. Progress also continues in bolstering security and cyber security measures across other legacy applications.

In 2025-26, the following incidents were referred to the Natural England Security Team:

Incident type	2025-26	2024-25
Leaks	2	-
Losses	54	73
Complaints	-	-
Personal data	11	17
Unauthorised disclosure	57	53
Physical security	1	6

All reported incidents are promptly reviewed to confirm that appropriate measures have been implemented to address the issues, with guidance provided to affected parties on suggested remedial actions.

The two leaks of information were thoroughly investigated by Defra Group Security and no evidence found that the leaks occurred from within Natural England.

Security and Data Protection training is mandatory for all staff.

Business Critical Models

Business Critical Models (BCMs) have one or more of the following characteristics:

- The modelling drives essential financial and funding decisions.
- The model is essential to the achievement of business plan actions and priorities.
- Errors could engender serious financial, legal, reputational damages or penalties.

Natural England has registered seven BCMs for 2025-26.

Complaints to the Parliamentary and Health Service Ombudsman

In the Financial Year 2025–2026, Natural England received 98 complaints in total. All complaints are initially considered at Tier 1 of the complaints procedure. Of these, 69 complaints were resolved at Tier 1.

A total of 27 complaints were escalated to Tier 2 where the customer remained dissatisfied with the Tier 1 response. Of these, 23 were resolved at Tier 2.

Following completion of Natural England's internal process, one complaint was referred to the OEP, and one complaint was referred to the Parliamentary and Health Service Ombudsman (PHSO).

Parliamentary Correspondence

- **106** letters or emails received from Members of Parliament (MPs)
- **81%** responded within the target of 10 working days
- **78** Parliamentary Questions (PQs) received
- **85%** completed by the required deadlines

Responding to Public Correspondence

Our Customer Engagement Team and Correspondence unit dealt with:

- **6,379** letters and emails received from the public.

- **94%** of email enquiries were resolved within the target of 10 working days.
- **6,934** telephone enquiries handled.
- **98%** responded within the target of 10 working days.

Freedom of Information

In the 2025-26 financial year, Natural England received 854 formal requests for information under the Freedom of Information (FOI), Environmental Information Regulations (EIR), and Data Protection regulations.

This represented an increase of 7.8% on the previous financial year.

These figures include 48 Internal Review Requests and 3 ICO Referrals. Of those that have been completed (766) 58.7% (450) of the requests were responded to within the regulation 20 days. 92.4% (708) of requests were handled within 40 days with an agreed extension, and 7.5% (58) were outside the regulations and considered late.

Concluding statements

From the Chair of ARAC - Mark Tufnell

As Chair of the Audit and Risk Assurance Committee, I have made relevant inquiries and received sufficient assurances that ARAC has had sufficient opportunity to review the comprehensiveness, reliability, and integrity of assurances, and has supported the Natural England Board in their responsibilities for risk management, control, and governance. In providing this assurance, I have referred to governance guidelines issued by HM Treasury in the Financial Reporting Manual, the Audit and Risk Assurance Committee Handbook for Arm's Length Bodies, and the Corporate Governance Code for Central Government Bodies.

From the Chief Executive - Neil Hornby

In preparation for joining Natural England as Chief Executive and Accounting Officer on 1 October 2026, I sought and received assurances from the outgoing Chief Executive, Marian Spain, regarding the effectiveness of the governance and internal control arrangements in place during the 2025-26 financial year and the part of the 2026-27 financial year for which Marian was the Accounting Officer.

Based on this handover, I am assured that appropriate arrangements were maintained throughout that period to support accountability, decision-making and control.



The story behind the picture: Greenbooth Reservoir, by Rebecca Eyre, capturing the interaction between nature and infrastructure.

Remuneration and staff report

This report provides details about Natural England's remuneration and staff that

Remuneration report

Appointments

Appointments to Natural England's Board are made by the Secretary of State for Environment, Food, and Rural Affairs and 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 typically made for three years.

Information about Natural England's Board members is available at [Our governance - Natural England](#).

Directors are appointed on merit through fair and open competition in accordance with the Constitutional Reform and Governance Act 2010. The Civil Service Commission Recruitment Principles specify the circumstances in which appointments may be otherwise made.

Natural England's Chief Executive during the period was Marian Spain, who was initially appointed for a three-year term, which was renewed in 2023 and then extended until September 2026. Neil Hornby was appointed as Chief Executive on a permanent basis from October 2026. All Chief Officers are employed through 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.

Remuneration policy

The remuneration for the Senior Civil Service (SCS) is set by the Prime Minister following independent advice from the Senior Salaries Review Body (SSRB). Defra receives guidance from the Cabinet Office and formulates the reward strategy for staff equivalent to the SCS in Natural England for

Parliament and others see as important to accountability.

the purposes of pay. Board members' remuneration is determined by Defra.

Salary

Salary refers to gross salary and any other allowances to the extent that they are subject to UK taxation. This report is based on accrued payments made by Natural England and thus recorded in these accounts.

Non-consolidated performance related payments

Natural England's Leadership Group, which includes the Chief Executive (SCS Pay Band 3 'SCS3' equivalent), Chief Officers (SCS2 equivalent), and Directors (SCS1 equivalent) are eligible for non-consolidated performance related payments based on their performance rating as agreed with their line manager at the end of each performance year. The amount payable to the Chief Executive is usually determined by the Chair, however 2025-26 Senior Civil Service Pay Guidance issued by Cabinet Office stipulated values for SCS3 based on the annual performance marking.

Payments are made in arrears, so payments made in 2025-26 relate to performance ratings for 2024-25. Awards can also be made before the end of the performance year, subject to a maximum of £5,000 per award, and individuals can receive more than one award in-year. The total payable to all eligible staff should not exceed 3.3% of the SCS-equivalent collective pay bill.

Benefits in kind

Staff receive certain minor benefits in kind. Natural England accounts for income tax on such benefits on an aggregate basis, as it is not possible to disclose individual amounts.

Fair pay disclosures – audited

Natural England discloses the relationship between both total pay and benefits and the salary component of total pay and benefits of the highest paid employee in the organisation and in respect of employees of the organisation taken as a whole, and the relationship between the remuneration of the highest paid director in the organisation and the lower quartile, median and upper quartile of the organisation's workforce.

Total remuneration includes salary and non-consolidated payments including performance-related pay. It does not include severance payments, employer pension contributions, and the cash equivalent transfer value of pensions.

	2025-26	2024-25
Band of highest paid employee's total remuneration (£'000s)	165-170	155-160
Of which: salary component (£'000s)	155-160	150-155
Median total remuneration (£)	40,181	38,167
Of which: salary component (£)	40,156	38,083
Ratio of median to highest paid employee's total remuneration	4.2	4.1
25 th percentile total remuneration (£)	33,160	31,090
Of which: salary component (£)	33,035	31,070
Ratio of 25 th percentile to highest paid employee's total remuneration	5.1	5.1
75 th percentile total remuneration (£)	42,966	40,474
Of which: salary component (£)	42,945	40,402
Ratio of 75 th percentile to highest paid employee's total remuneration	3.9	3.9

Natural England considers the 2025-26 median pay ratio to be consistent with our pay and reward policies, alongside the broader Civil Pay Guidance regime Natural England operates within. It shows that senior remuneration remains proportionate to the wider workforce, with pay structures and reviews applied consistently across all employees.

Change in total remuneration and performance payments

	2025-26 Salary and allowances	2025-26 Performance pay	2024-25 Salary and allowances	2024-25 Performance pay
Highest paid director	3.3%	66.7%	7.0%	0.0%
Workforce as a whole	7.1%	-6.8%	8.7%	-91.8%

The banded remuneration of our staff ranged from £25-30k to £165-170k (2024-25: £20-25k to £155-160k). The average percentage change in total remuneration from the previous financial year was 5.3% (2024-25: 5.0%). The movement in salary and allowances is consistent with the implementation of the pay award which was the first of a two-year pay award. The movement in performance pay reflects a move away from end-of-year performance pay to an in-year award system.

Non-executive board remuneration (£'000s) - audited

Director	2025-26	2024-25	Director	2025-26	2024-25
Dr Tony Juniper CBE Chair	85-90	85-90	Cynthia Alers	10-15	5-10
Peter Unwin ¹ Deputy Chair	15-20	10-15	Mark Tufnell ³	15-20	5-10
Professor Mel Austen	10-15	10-15	Alastair Leake	10-15	5-10
Dame Caroline Spelman	10-15	10-15	James Scott	10-15	5-10
Kim Shillinglaw ²	10-15	10-15	Catherine Dugmore ⁴	(0-5)	10-15
Professor Clare Fitzsimmons	10-15	10-15	Henry Robinson ⁴	(0-5)	5-10
Professor Lynn Dicks	10-15	10-15	Lord Blencathra ⁴	(0-5)	20-25

¹ Peter Unwin was appointed Deputy Chair from 1 April 2025, leading to a higher banding in the current period.

² Kim Shillinglaw was erroneously enrolled into the Civil Service and Other Pension Scheme (CSOPS) when she joined the Board in June 2020. This was rectified during 2025-26, when the member and Natural England were reimbursed for their contributions.

³ Mark Tufnell also served as an interim non-executive director on the Agency Management Board of the Rural Payments Agency, for which he was erroneously remunerated by Natural England. The amounts were reimbursed to Natural England by the Rural Payments Agency during 2026-27. The banding had this error not occurred was £10-15k.

⁴ Catherine Dugmore, Henry Robinson, and Lord Blencathra left the Board on 11 December 2024. An administrative error led them to these board members continuing to be remunerated until January 2025. The payments were repaid during 2025-26, which is why their remuneration is shown as a negative amount in the current period. The bandings in the prior year comparatives for these members were not affected.

Executive Committee remuneration (£'000s) – audited

Director	Year	Salary	Bonuses	Pension	Total
Marian Spain	2025-26	150-155	10-15	59	225-230
Chief Executive	2024-25	145-150	5-10	58	210-215
Alan Law	2025-26	115-120	0-5	45	165-170
Chief Officer – Operations	2024-25	110-115	0-5	76	190-195
Oliver Harmar	2025-26	110-115	0-5	44	155-160
Chief Officer – Strategy	2024-25	105-110	0-5	42	150-155
Kirsty Carter-Brown	2025-26	110-115	5-10	60	180-185
Chief Officer – Business Management	2024-25	105-110	5-10	85	200-205
Navroza Ladha	2025-26	100-105	0-5	45	150-155
Chief Officer – Legal, Governance, and External Affairs	2024-25	110-115	0-5	62	175-180
Sarah Zielicka Edwards¹	2025-26	45-50	-	18	60-65
Chief Officer – Legal, Governance, and External Affairs (interim)	2024-25	-	-	-	-
Sallie Bailey	2025-26	110-115	-	70	180-185
Chief Scientist	2024-25	80-85	-	136	215-220

¹ Sarah Zielicka Edwards, formerly Natural England's Legal Director and not in scope of these disclosures, was appointed interim Chief Officer for Legal, Governance, and External Affairs from 1 October 2025 whilst Navroza Ladha took leave of absence. The full-year equivalent salary was £90-95k.

Executive Committee pension benefits (£'000s) – audited

Director	Total accrued pension at pension age and related lump sum at 31 March 2026	Real increase in pension and related lump sum at pension age	CETV at 31 March 2026	CETV at 1 April 2025	Real increase / (decrease in CETV)
Marian Spain	25-30	2.5-5	448	378	47
Alan Law	50-55 plus a lump sum of 125-130	2.5-5 plus a lump sum of 0	1,254	1,191	36
Oliver Harmar	10-15	2.5-5	150	113	25
Kirsty Carter-Brown	55-60	2.5-5	1,053	951	44
Navroza Ladha	50-55	2.5-5	1,037	949	31
Sarah Zielicka Edwards	20-25	0-2.5	306	293	10
Sallie Bailey	35-40 plus a lump sum of 75-80	2.5-5 plus a lump sum of 2.5-5	783	678	61

Public Service Pensions Remedy - audited

Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. Before 1 April 2015, the only scheme was the Principal Civil Service Pension Scheme (PCSPS), which is divided into a few different sections – classic, premium, and classic plus which provide benefits on a final salary basis, whilst nuvos provides benefits on a career average basis. 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. All newly appointed civil servants, and the majority of those already in service, are in alpha.

The PCSPS and alpha are unfunded statutory schemes. Employees and employers make contributions (employee contributions range between 4.6% and 8.05%, depending on salary). The balance of the cost of benefits in payment is met by monies voted by Parliament each year. Pensions in payment are increased annually in line with the Pensions Increase legislation. Instead of the defined benefit arrangements, employees may opt for a defined contribution

pension with an employer contribution, the partnership pension account.

In alpha, pension builds up at a rate of 2.32% of pensionable earnings each year, and the total amount accrued is adjusted annually in line with a rate set by HM Treasury. Members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004. All members who switched to alpha from the PCSPS had 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 accrued pensions shown in this report are the pension the member is entitled to receive when they reach normal pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over normal pension age. Normal 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 in this report show pension earned in PCSPS or alpha – as appropriate. Where a member has benefits in both the PCSPS and alpha, the figures show the combined value of their benefits in the two schemes but note that the constituent parts of that pension may be payable from different ages.

When the Government introduced new public service pension schemes in 2015, there were transitional arrangements which treated existing scheme members differently based on their age. Older members of the PCSPS remained in that scheme, rather than moving to alpha. In 2018, the Court of Appeal found that the transitional arrangements in the public service pension schemes unlawfully discriminated against younger members.

As a result, steps are being taken to remedy those 2015 reforms, making the pension scheme provisions fair to all members. The public service pensions remedy is made up of two parts. The first part closed the PCSPS on 31 March 2022, with all active members becoming members of alpha from 1 April 2022. The second part removes the age discrimination for the remedy period, between 1 April 2015 and 31 March 2022, by moving

the membership of eligible members during this period back into the PCSPS on 1 October 2023. This is known as “rollback”.

For members who are in scope of the public service pension remedy, the calculation of their benefits for the purpose of calculating their Cash Equivalent Transfer Value and their single total figure of remuneration, as of 31 March 2025 and 31 March 2026, reflects the fact that membership between 1 April 2015 and 31 March 2022 has been rolled back into the PCSPS. Although members will in due course get an option to decide whether that period should count towards PCSPS or alpha benefits, the figures show the rolled back position i.e., PCSPS benefits for that period.

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). Further details about the Civil Service pension arrangements can be found at the website [Civil Service Pensions](#)

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.

Civil Service and other compensation schemes – audited

Cost band	Year	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages agreed
£10,000 or less	2025-26	-	35	35
	2024-25	-	-	-
£10,000 - £25,000	2025-26	-	40	40
	2024-25	-	-	-
£25,001 - £50,000	2025-26	-	38	38
	2024-25	-	-	-
£50,001 - £100,000	2025-26	-	91	91
	2024-25	-	-	-
£100,001-£150,000	2025-26	-	14	14
	2024-25	-	-	-
Total number of exit packages	2025-26	-	218	218
	2024-25	-	-	-
Total resource cost (£'000s)	2025-26	-	10,263	10,263
	2024-25	-	-	-

Redundancy and other departure costs are either paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972, or ex-gratia. Exit costs are accounted for in full in the year of departure. Where we have agreed early retirements, the additional costs are met by Natural England and not the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table. During 2025-26, Natural England implemented a voluntary exit scheme which saw the agreement of 212 departures which cost £10.2 million.

Staff report

Staff costs (£'000s) - audited

Description	2025-26	2024-25
Permanent staff salaries and allowances	109,221	108,116
Employer superannuation	32,174	31,173
Partnership pension contributions	119	124
Permanent staff social security ¹	14,736	12,247
Agency and temporary staff	1,704	2,032
Inward secondees	951	899
Temporary staff social security	103	108
Temporary staff superannuation	274	360
Other staff costs	185	189
Early retirement and severance costs	8,258	-
Recoveries in respect of outward secondments	(906)	(1,608)
Total	166,819	153,640

¹ Permanent staff social security includes amounts previously disclosed separately as apprenticeship levies. In 2025-26, £12k was recognised through the SoCNE (2024-25: £538k). This has decreased as from 2025-26; the levy payments are accounted for as a prepayment and expensed when used for qualifying training.

Senior Civil Service headcount

The actual number (headcount) of senior civil servant (SCS)-equivalent substantive staff on 31 March was:

Pay band	2025-26	2024-25
SCS Pay Band 3	1	1
SCS Pay Band 2	6	5
SCS Pay Band 1	21	22
Total	28	28

Average number of full-time equivalent persons employed – audited

Permanent staff	2025-26	2024-25
SCS-equivalent	27	29
L6 – Deputy Director	52	398
L5 – Principal	317	
L4 – Senior	1,050	1,145
L3 – Higher	842	911
L2 – Officer	270	321
L1 – Assistant	35	
Sub-total	2,593	2,804
Temporary staff	2025-26	2024-25
SCS-equivalent	1	1
L6 – Deputy Director	1	7
L5 – Principal	2	
L4 – Senior	17	26
L3 – Higher	57	88
L2 – Officer	20	48
L1 – Assistant	9	
Total	2,700	2,974

Staff numbers for the prior year continues to be presented as aggregated for Levels 1 and 2 and Levels 5 and 6 as they were first reported.

Staff turnover

We disclose the proportion of employees leaving the organisation in line with cabinet office guidance on Civil Service turnover calculations. Turnover increased when compared to the prior year as we implemented a voluntary exit scheme.

	2025-26	2024-25
Permanent and fixed-term appointees leaving before their end date	11.9%	6.33%

Workforce and diversity profile

In line with the Equality Act 2010, we, like all public bodies, are 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. We ensure that the terms, policies, procedures, programmes, services, and systems we offer our employees and customers are fair and equitable. Oversight of the development, improvement, and maintenance of Equality, Diversity, and Inclusion (EDI), and well-being in Natural England is owned by our People Committee.

The following tables summarise our workforce and diversity profile as of 31 March 2026, extracted from our corporate human resources management system.

Gender split by headcount

	Year	Male	Female
Board members	2025-26	5	7
	2024-25	5	6
SCS-equivalent	2025-26	17	15
	2024-25	14	14
All other employees	2025-26	1,045	1,662
	2024-25	1,210	1,859

Gender pay gap – ordinary pay

We published our Gender Pay Gap Report 2025 on 27 March 2026. This shows that the mean gender pay gap has decreased 0.4 percentage points from 1.0% in 2024 to 0.6% in 2025, maintaining a continuous downward trend since 2017.

Year	Mean %	Median %
2021	5.0	1.0
2022	3.8	0.3
2023	3.0	0.0
2024	1.0	(1.0)
2025	0.6	0.0
+/(-) from 2024	(0.4)	(1.0)

Gender pay gap – bonus pay

Year	Mean %	Median %
2021	0.6	0.0
2022	10.0	0.0
2023	10.8	0.0
2024	(3.2)	0.0
2025	(11.9)	0.0
+/(-) from 2024	8.7	0.0

Gender pay gap – proportion of employees paid a bonus

Year	Male %	Female %
2021	41	44
2022	74	73
2023	81	82
2024	13	14
2025	59	63
+/(-) from 2024	46	49

Gender Pay Gap Report 2025

Natural England is working to build a diverse, inclusive and supportive workplace by strengthening its EDI approach. This includes flexible working policies, accredited support for disabled staff, carers and older workers, and a strong EDI learning programme. The organisation has improved recruitment processes through anonymised applications, diverse panels and data-driven evaluation, while staff networks help raise awareness and foster belonging. Policies supporting parents, carers, wellbeing and workplace adjustments further reduce barriers. To promote fair progression, Natural England provides mentoring, apprenticeships and career development tools. Targeted pay strategies—such as shortening pay ranges and prioritising increases for those lower on the scale—have contributed to improving gender pay outcomes.

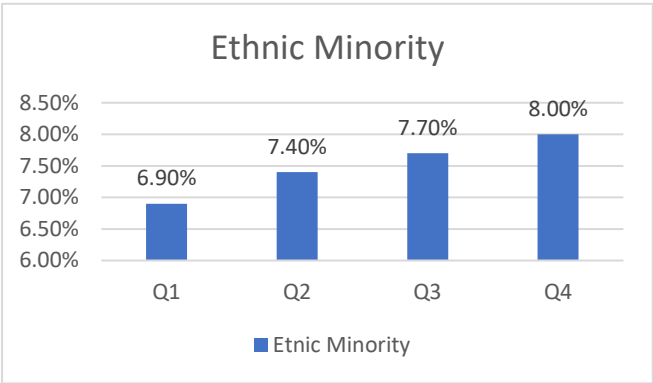
Gender balance in the Senior Civil Service

Year	Female SCS %
2025-26	54.8
2024-25	50.0

Ethnic minority

Year	Ethnic minority %
2025-26	8.0
2024-25	6.8

During 2025–26, Natural England continued to strengthen its commitment to improving diversity and fostering an inclusive workplace. Ethnic minority representation within the organisation increased from 6.8% in 2024–25 to 8.0% in 2025–26, reflecting steady progress driven by a focus on staff retention, improved data insights and focused development initiatives.



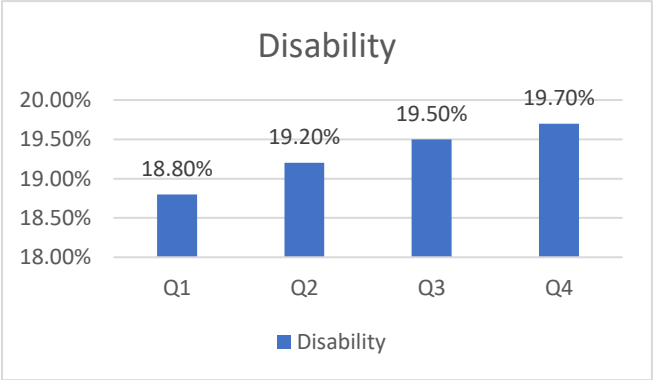
Disability

Year	Disability %
2025-26	19.7
2024-25	18.9

Workforce representation of colleagues who identify as disabled increased from 18.9% in 2024–25 to 19.7% in 2025–26. This steady improvement reflects ongoing efforts to remove barriers, promote inclusive practices and build confidence in self-reporting.

Key actions this year included strengthening our workplace adjustment processes, expanding guidance for managers, and improving the visibility of disability inclusion

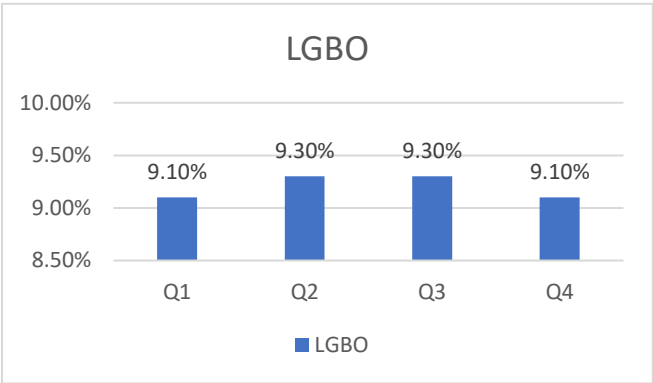
resources. Our staff networks and lived-experience insights continued to shape these improvements, helping ensure that support remains timely, relevant and meaningful.



Lesbian, Gay, Bisexual and Other Sexual Orientation (LGBO)

Year	LGBO %
2025-26	9.1
2024-25	9.1

In 2025–26, Natural England maintained its commitment to fostering an inclusive environment for colleagues of all sexual orientations. Representation of colleagues identifying as LGBO held at 9.1% in 2025–26, driven by ongoing visibility, engagement and support initiatives.



Disabled, ethnic minority and LGBO representation by pay band (%)

Pay band	Disabled	Ethnic minority	LGBO
SCS-equivalent	3.6	11.5% - excluding White minority; (15.4% incl. white minority)	7.2
L6 – Deputy Director	13.1	1.7% - excluding White minority; (5% incl. white minority)	8.8
L5 – Principal	16	2.9% - excluding White minority; (7.1% incl. white minority)	7.7
L4 – Senior	18	4.3% - excluding White minority; (8.7% incl. white minority)	8.8
L3 – Higher	22.1	3.6% - excluding White minority; (6.7% incl. white minority)	9.9
L2 – Officer	32.2	7% - excluding White minority; (10.3% incl. white minority)	12.8
12.8L1 – Assistant	20.8	12% - excluding White minority; (12% incl. white minority)	Not reported
Average	19.7	4.2% - excluding White minority; (8% incl. white minority)	9.1



The story behind the picture: Arnside and Silverdale by Rebecca Eyre

Recruitment practice

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

We are committed to recruiting, developing, and retaining 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. We advertise on a wide range of platforms, including those targeted at diverse communities as well as Indeed and Google Ads. We have recently started a programme of Outreach work to promote our brand and values and attended the Skills London Event aimed at students aged between 16 and 24 years.

We adopt anonymous sifting and selection process up to interview stage. Interview panel members are required to undertake Civil Service Expectations 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 an employee passport.

Staff survey

At Natural England, being recognised as an inclusive and engaging organisation, a great place to work has always been a top priority. To achieve this, we regularly ask our people for feedback through staff surveys, giving everyone a voice and helping us understand what matters most.

In February 2026, we carried out our latest full People Survey. The results help us to see what has worked well, where improvements are needed, and help shape our future priorities.

Feedback from the 2025 Pulse Survey (a shorter survey to check specific things) guided changes. We focused on three areas: purpose, wellbeing and leadership. Actions included:

- Leadership visibility and inclusivity. Senior leaders held open-door sessions, visited offices more often, took part in reverse mentoring, and led conversations on inclusivity. 2025-26 then saw the introduction of Minimum Standards for leadership.
- Clearer direction and priorities. We strengthened awareness of Natural England's Strategic Direction and gave teams clearer guidance on what work to prioritise. We launched our Strategy [Natural England's Strategy: Recovering Nature for Growth, Health and Security - GOV.UK](#) in November 2025.
- Better collaboration and support. More face-to-face meetings and cross-team working groups helped people connect and share ideas. Peer-led workshops supported managers with people performance management.

Employee engagement (%)

The engagement score for Natural England is 64% compared to the 2025 Civil Service value of 65%

2026 Employee Engagement Questions	Agree	Neither	Disagree
I am proud when I tell others I am part of Natural England.	67%	24%	10%
I would recommend Natural England as a great place to work.	65%	25%	10%
I feel strong personal attachment to Natural England.	57%	28%	15%
Natural England inspires me to do the best in my job.	49%	33%	17%
Natural England motivates me to help it achieve its objectives.	48%	34%	18%

Strategic Workforce Plan

Natural England's Strategic Workforce Plan 2025–2030 (SWP) sets out how the organisation will build the skills, flexibility and culture needed to deliver its Strategy and respond to future challenges. Focused on being skilled, adaptable and resilient, and evolving how we work, the plan includes targeted actions on learning and capability, recruitment and resourcing, and organisation-wide culture and behaviour development. As part of the wider Reshape the Organisation Critical Reform programme, the SWP supports strategic delivery while helping colleagues grow, adapt and contribute to better outcomes for people and nature.

Progress against Strategic Workforce Plan priorities

We are making steady progress in delivering the Strategic Workforce Plan, strengthening our culture, adaptability and skills to support Natural England's Strategy.

1. How We Need to Work

We have been engaging with colleagues across Natural England, the Defra group and external partners to understand where our culture and behaviours support strong delivery, and where improvement is needed. Leadership development has been refreshed to emphasise the behaviours needed for high-performing teams. We have also identified three organisation-wide priorities—customer service, collaboration and pragmatic decision-making—which all colleagues will now reflect in their performance goals. Work is underway to scope options for an independent cultural survey or review.

2. How We Need to Be Adaptable and Resilient

We are developing a resourcing roadmap to enable more agile recruitment and faster movement of staff into priority areas. A new organisation-wide resourcing framework is already helping place colleagues from reducing activities into areas of growth. We are also reviewing our skills and competencies framework—linked to a wider Civil Service taxonomy review—to ensure we can quickly identify and deploy individuals with priority skills.

3. How We Need to Be Skilled

A new leadership model has been developed to strengthen individual capability and support leaders in building high-performing, collaborative and customer-focused teams. Our review of skills and competencies continues, supporting both skills development and flexible deployment. We

have delivered a learning offer aligned to the needs of Portfolios and delivery teams, and we are updating it as new services and functions emerge.

Health and safety

We continue to strengthen and grow our Health and Safety (H&S) culture across Natural England, ensuring that the safety and wellbeing of our staff, volunteers, visitors and contractors remains our top priority.

As part of this commitment, we have delivered a training programme covering core areas such as incident investigation and risk management for leaders, alongside proactive approaches including active monitoring, personal safety and mental health first aid. Together with topic-specific training, these initiatives equip leaders and staff with the knowledge and tools needed to understand their responsibilities and work safely.

Throughout 2025-26 we have improved access to H&S resources and support by redesigning and streamlining internal systems, launching a new Employee Assistance provider and introducing a new platform to help staff assess the risks when working with computers. These enhancements ensure that all H&S information remains accessible, user-friendly and aligned to our commitment to keeping people safe and well.

We have also continued to prioritise reducing the impacts of stress and strengthening organisational resilience. The Stress Reduction Working Group has now concluded and been fully integrated into the Health and Safety Steering Group, ensuring sustained engagement and oversight. A new stress scorecard has been introduced to monitor key metrics and assess the effectiveness of our preventative controls and how well these are embedded across the organisation. This ongoing focus has contributed to a reduction in stress-related incidents; however, we will keep refining and expanding our approach to achieve our goal of proactive, consistent stress management across Natural England.

Our prioritisation of H&S has been further demonstrated by exceeding our performance metric for timely completion of investigations this year. Additionally, we received a moderate assurance opinion from the Government Internal Audit Agency following their audit of H&S.

Managing attendance

During the year-ending 31 March 2026, Natural England lost an average of 4.49 days per employee to sickness absence, compared to 5.34 days in the year-ending 31 March 2025. Absences due to ‘mental and behavioural disorders’ was the main cause of absence. The five main reasons for sickness absence were:

Absence type	Working days	% of sick days lost
Mental and behavioural disorders	4,328	36%
Diseases of the respiratory system	2,508	21%
Diseases of the musculoskeletal system and connective tissue	941	8%
Diseases of the digestive system	1,003	8%
Diseases of the nervous system	889	7%

Consultancy expenditure

Natural England is required to report on spending on consultancy as defined in the FReM Annex 4. Expenditure on consultancy in the year-ending 31 March 2026 was £2,575k (2024-25: £2,151k).

Off-payroll engagements

Existing engagements as of 31 March 2026, which existed for:	No. of engagements
Less than one year	12
Between one and two years	1
Between two and three years	-
Between three and four years	-
For four or more years	-
Highly paid off-payroll workers engaged at any point between 1 April 2025 and 31 March 2026 earning £245 or more per day, of which:	No. of engagements
Not subject to off-payroll legislation	-
Subject to off-payroll legislation and determined as in-scope of IR35	29
Subject to off-payroll legislation and determined as out-of-scope of IR35	-
Number of engagements reassessed for compliance or assurance purposes during the year	-
Number of engagements that saw a change of IR35 status following review	-
Off-payroll engagements of board members and/or senior officials with significant financial responsibility between 1 April 2025 and 31 March 2026	No. of engagements
Number of off-payroll engagements of board members, and/or senior officials with significant financial responsibility, 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	19

During the period, Rachel Fraser fulfilled the role of Natural England Finance Director and was remunerated by the sponsoring department as part of the Defra group Corporate Services model. She is treated as on-payroll for the purposes of these disclosures.

Parliamentary Accountability and Audit Report

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 scheme of delegation (“FSoD”) which covers all financial functions or functions which have monetary implications e.g. loans, scheme payments etc.; and
- A non-financial scheme of delegation (“NFSOD”) which covers all non-monetary functions e.g. licenses, enforcement action etc.

In addition to the above, under the government’s transparency agenda, expenditure is published monthly on all transactions over £25,000 and Government Procurement Card (GPC) 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, special payments, and gifts – audited

The Statement of Comprehensive Net Expenditure includes losses and special payments. The aggregate values of such payments are shown in the table below, along with details of cases over £300,000. There is nothing to report in respect of gifts.

Type of loss	No.	£’000s
Fruitless payments	-	-
Constructive losses	1	9,983
Cash losses	-	-
Stores loss	-	-
Total losses	1	
Special payments	2	12
Total losses and special payments	3	9,995

Constructive losses - audited

As a result of a reduction in market demand for Nutrient Mitigation Scheme credits and the launch of the Nature Restoration Fund, Natural England considers that we will no longer be able to sell credits in certain catchment areas. As such, it has recognised a permanent diminution in the value of Nutrient Mitigation Scheme credits, with total value of £10.0 million.

Remote contingent liabilities - audited

We have considered the possible future liabilities that relate to past events. As of 31 March 2026, there are remote contingent liabilities which arise in the ordinary course of business in respect of our statutory and regulatory functions. We have assessed that no material losses are expected to arise from these remote liabilities, should they crystallise.

Auditors

Our accounts are audited by the Comptroller and Auditor General in accordance with the Natural Environment and Rural Communities Act 2006. The audit fee for 2025-26 is £368,500. (2024-25: £394,000) and is paid by Defra and included within the notional recharges. No payments have been made to the auditors for non-audit services.

Fees and charges – audited

We are able to charge customers for some of our services, including the Discretionary Advice Service, wildlife licensing, and administration costs for the District Level Licensing and the Nutrient Mitigation Scheme. All our fees and charges are set in accordance with Managing Public Money, and we aim to achieve full cost recovery. We are reviewing our fees and charges to ensure that they are set at an appropriate level to recover our costs and provide value to our customers.

Analysis of fees and charges (audited)	2025-26 £000	2024-25 £000
Income	7,645	7,194
Expenditure	<u>(7,822)</u>	<u>(7,507)</u>
Surplus/(Deficit)	(177)	(313)

Government functional standards

Natural England is solely accountable for the application of three Functional Standards: GovS002 (Project Delivery), GovS013 (Counter Fraud) and GovS010 (Analysis). During the year, we have made good progress in assessing our current position and identifying areas where further alignment and investment are required.

- **Project Delivery** remains assessed as “in development”. Progress has been made in strengthening project delivery capability, alongside increased use of industry-standard tools, templates and guidance. Newly established Critical Reform Programmes have benefited from the application of good practice, including the introduction of programme management offices and the appointment of Senior Responsible Owners (SROs). Plans are in place to support further improvement over the coming years, including the development of a single Natural England portfolio supported by a central Portfolio Management Office.
- **Counter Fraud** was assessed as “in development” for Natural England, supported by a Defra Counter Fraud Government Internal Audit Agency (GIAA) Audit, which also identified areas for further enhancement.
- **Analysis** was assessed as “good”. Over the past year, Natural England has strengthened analytical capability, assurance, and impact through targeted investment in skills, enhanced governance and oversight, and increased use of modern analytical tools, providing a strong foundation for extending best practice more widely

Neil Hornby

Chief Executive
Natural England

12 October 2026

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 2026 under the Natural Environment and Rural Communities Act 2006.

The financial statements comprise Natural England's:

- Statement of Financial Position as at 31 March 2026;
- 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 2026 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 (2024)*. 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 2024*. 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 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 requires 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 information included in the Annual Report but does not include the financial statements and my auditor's certificate and report thereon. 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 Statutory Other Information 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 Statutory Other Information.

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 Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is 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 statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view in accordance with Secretary of State directions issued under the Natural Environment and Rural Communities Act 2006;
- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with Secretary of State directions issued 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, key performance indicators and performance incentives;
- 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, Managing Public Money and the relevant employment and pensions legislation that Natural England operates under;
- 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; and
- discussed with the engagement team and the relevant internal and external specialists, including valuation specialists, 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 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 operates. 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, and the relevant employment and pensions legislation that Natural England operates under.

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 Assurance 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;

I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and

I addressed the risk of fraud in revenue recognition through substantive testing of revenue tailored to the specific nature of material revenue streams.

I 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. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain sufficient appropriate audit evidence 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

I have no observations to make on these financial statements.

Gareth Davies

Date: 14 October 2026

Comptroller and Auditor General

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

Financial statements

Statement of Comprehensive Net Expenditure for the year ended 31 March 2026

	Note	2025-26	2024-25
		£000	£000
Revenue from contracts with customers	4.1	(29,773)	(24,231)
Other operating income	4.2	(4,207)	(5,799)
Total income		(33,980)	(30,030)
Staff costs	3	166,819	153,640
Other costs	3	66,318	73,143
Depreciation, amortisation and impairment	3	19,934	8,611
Other non-cash items	3	48,017	43,408
Grants and subsidies	3	39,237	48,668
Total operating costs		340,325	327,470
Net operating costs		306,345	297,440
Corporation tax expense		-	80
Interest receivable		(643)	(592)
Interest payable	14.2	68	61
Net expenditure		305,770	296,989
Other comprehensive net expenditure			
Items that will not be reclassified to net operating costs			
Net (gain)/loss on			
Revaluation of PPE	7	(184)	72
Revaluation of heritage assets	7	(2,870)	(879)
Revaluation of right of use assets	7	5	(23)
Total comprehensive net expenditure for the year		302,721	296,159

The following Notes 1 to 18 form part of these financial statements.

Statement of Financial Position as at 31 March 2026

	Note	31 March 2026 £000	31 March 2025 £000
Non-current assets			
Property, plant and equipment	5.1	66,029	60,126
Right of use assets	14.1	4,352	5,162
Heritage assets	6	115,293	112,435
Agricultural assets		131	115
Intangible assets	5.2	20,150	23,645
Inventories	9	-	8,040
Trade, other receivables and contract assets	10	7,401	4,706
Total non-current assets		213,356	214,229
Current assets			
Inventories	9	2,406	5,176
Trade, other receivables and contract assets	10	29,546	25,089
Cash and cash equivalents	11	56,061	29,276
Total current assets		88,013	59,541
Total assets		301,369	273,770
Current liabilities			
Trade, other payables and contract liabilities	12	(68,115)	(59,776)
Provisions	13	(2,830)	(1,203)
Lease liability	12/14.3	(483)	(1,155)
Total current liabilities		(71,428)	(62,134)
Non-current assets plus/less net current assets/liabilities		229,941	211,636
Non-current liabilities			
Trade, other payables and contract liabilities	12	(1,858)	-
Provisions	13	(13,910)	(13,969)
Lease liability	12/14.3	(3,635)	(3,802)
Total non-current liabilities		(19,403)	(17,771)
Assets less liabilities		210,538	193,865
Taxpayers' equity and other reserves			
General fund	SOCTE	119,704	105,939
Revaluation reserve	SOCTE	90,834	87,926
Total equity		210,538	193,865

The following Notes 1 to 18 form part of these financial statements.

Neil Hornby
Chief Executive of Natural England and Accounting Officer
12 October 2026

Statement of Cash Flows for the year ended 31 March 2026

	Note	2025-26 £000	2024-25 £000
Cash flows from operating activities			
Net operating cost	SOCNE	(306,345)	(297,440)
Adjustments for non-cash transactions	3	29,094	7,584
Non-cash donations		(557)	-
Notional corporate services recharge	3.1	38,857	44,435
(Increase)/decrease in trade and other receivables	10	(7,152)	(5,164)
(Increase)/decrease in inventories	9	827	2,121
Increase/(decrease) in trade payables		3,519	(10,923)
Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		(1,063)	-
Utilisation of provisions	13	(1,185)	(2,116)
Net cash outflow from operating activities		(244,005)	(261,503)
Cash flows from investing activities			
Purchase of property, plant and equipment		(10,035)	(10,258)
Purchase of intangible assets		(226)	(9,033)
Purchase of non-current heritage assets		(165)	(1,187)
Proceeds of disposal of property, plant and equipment		269	303
Net cash outflow from investing activities		(10,157)	(20,175)
Cash flows from financing activities			
Capital payment of lease liabilities	14	(1,228)	(447)
Grant in Aid income	SOC TE	281,600	289,000
Interest received		643	592
Interest paid (IFRS 16)		(68)	(61)
Net financing		280,947	289,084
Net increase/(decrease) in cash in the period		26,785	7,406
Cash and cash equivalents at the beginning of the year	11	29,276	21,870
Cash and cash equivalents at the end of the year	11	56,061	29,276

The following Notes 1 to 18 form part of these financial statements.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2026

The General Fund reflects Natural England's cumulative position of net expenditure and funding from Defra, the sponsor body of Natural England, 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.

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2025		105,939	87,926	193,865
Grant in Aid income		281,600	-	281,600
Net expenditure after interest	SOCNE	(305,770)	-	(305,770)
Non-cash adjustments				
Notional corporate services recharge	3	38,857	-	38,857
Movements in reserves				
Other revaluation of tangible assets	7	-	3,049	3,049
Transfers between reserves		141	(141)	-
Amounts surrenderable to the Consolidated Fund	12	(1,063)	-	(1,063)
Balance at 31 March 2026		119,704	90,834	210,538

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2025

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2024		67,111	87,267	154,378
Grant in Aid income		289,000	-	289,000
Net expenditure after interest	SOCNE	(296,989)	-	(296,989)
Non-cash adjustments				
Notional corporate services recharge	3	44,435	-	44,435
Movements in reserves				
Other revaluation of tangible assets	7	-	830	830
Transfers between reserves		171	(171)	-
Transfer of assets from Defra	5.2	2,211	-	2,211
Balance at 31 March 2025		105,939	87,926	193,865

The following Notes 1 to 18 form part of these financial statements.

Notes to the financial statements

1. Statement of accounting policies

1.1 Basis of preparation

These financial statements have been prepared in accordance with the 2025-26 Government Financial Reporting Manual (FReM) issued by His Majesty's Treasury, and the Accounts Direction given by the Secretary of State for the Department for Environment, Food and Rural Affairs in accordance with the Natural Environment and Rural Communities Act 2006.

The accounting policies contained in the FReM apply the 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 Natural England for the purpose of giving a true and fair view has been selected.

The accounting policies adopted by Natural England are explained in this section. They have been applied consistently to items considered material to the financial statements.

1.2. Basis of accounting

These financial statements have been prepared on an accruals basis, under the historical cost convention modified to account for the revaluation of property, plant and equipment, heritage assets, and intangible assets. Accruals are not routinely made for amounts of less than £1k on grounds of materiality.

1.2.1. Going concern

These financial statements are prepared on a going concern basis, interpreted by the FReM to mean the expected continuation of services for at least twelve months from the date these accounts are authorised for issue.

Spending Review (SR) 2025 sets out departmental allocations for the three years up to 2028-29 for resource expenditure and 2029-30 for capital expenditure. Following the Spending Review, Natural England has agreed financial provisions with Defra to cover the Spending Review period.

Additionally, a significant proportion of Natural England's activities are statutory in nature and would require primary legislation to stop. No such legislation is currently proposed.

On this basis, Natural England considers that it has sufficient resources and expected future funding to continue to meet its future expenditure until at least 30 October 2027, and consequently it has adopted the going concern basis for preparation of its financial statements for the year ending 31 March 2026 as at the date they are signed.

1.2.2. Standards issued but not yet effective

IFRS 18 will replace IAS 1 Presentation of Financial Statements and is effective for annual reporting periods beginning on or after the 1 January 2027 in the private sector. The impact of IFRS 18 on the Public Sector is still being assessed, and a decision has not yet been taken on an implementation date.

IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements and is effective for annual reporting periods beginning on or after the 1 January 2027 in the private sector. The impact of IFRS 19 on the Public Sector is still being assessed, and a decision has not yet been taken on an implementation date.

1.3. Non-current assets

1.3.1. Non-investment asset revaluations

In December 2023, HM Treasury released an exposure draft on potential changes to make to valuing and accounting for non-investment assets (e.g. property, plant and equipment (PPE), intangible assets). The following changes to the valuation and accounting of non-investment assets from the thematic review has been included in the 2025-26 FReM for mandatory implementation:

References to operational PPE assets being held for their 'service potential' and the terms 'specialised/non-specialised' are removed from the FReM. Operational PPE assets are instead described as assets held for their 'operational capacity'. This change has no

impact on the valuation basis, which remains current value in existing use - Existing Use Value (EUV).

An adaption to IAS16 was introduced to withdraw the requirement to revalue an asset where its fair value differs materially from its carrying value.

PPE assets are now valued using one of the following processes:

- a quinquennial revaluation supplemented by annual indexation.
- a rolling programme of valuations over a 5-year cycle, with annual indexation applied to assets during the four intervening years.
- for non-property assets only, appropriate indices; or
- in rare circumstances where an index is not available, a quinquennial revaluation supplemented by a desktop revaluation in year three.

The option to measure intangible assets using the revaluation model is withdrawn. The carrying values of intangible assets at 31 March 2025 are deemed the historical cost at 1 April 2025. Heritage assets are not affected by the revaluation changes in the FReM. Natural England's application is reflected in the policies below.

1.3.2. Property, plant, and equipment

Natural England applies IAS 16 Property, Plant, and Equipment as interpreted and adapted by the FReM 2025-26 for the public sector.

Recognition

Natural England applies a capitalisation threshold of £10k for all assets except land which is capitalised regardless of the cost. Subsequent expenditure on assets is capitalised to the extent that IAS 16 allows. Individual items that cost less than £10k are recognised as an expense in the Statement of Comprehensive Net Expenditure. The acquisition of separate but identical items costing less than £10k each may be eligible for capitalisation subject to the Defra group's capitalisation guidance for grouping assets.

Valuation

Operational land and buildings are reported in the Statement of Financial Position at their current value in existing use - Existing Use Value (EUV).

Depreciated Replacement Cost (DRC) is applied where it is deemed the most appropriate measure of current value in existing use.

Surplus assets are valued at fair value.

Operational land and buildings are revalued every five years in accordance with Royal Institution of Chartered Surveyors (RICS) guidance and supplemented by annual indexation.

The most recent five-yearly valuation took place with a valuation date of 31 March 2022 by Carter Jonas LLP. This was supplemented by annual desktop valuations until the adoption of the thematic review reflected in note 1.3.1.

Revaluation surpluses are recognised through the revaluation reserve. Deficits are recognised through the revaluation reserve, limited to the amount previously recognised as surpluses. If there are no previous surpluses against which to allocate the deficit, the deficit is recognised as an expense in the Statement of Comprehensive Expenditure.

The value of all other assets is depreciated historic cost where this is deemed a proxy for current value in existing use. Annual indexation is applied where depreciated historic cost is not a suitable proxy for current value in existing use. Where the value of a component of an asset is material to the total value of the asset, and it has a different useful life, the component is capitalised and depreciated separately.

Depreciation

All property, plant, and equipment are depreciated except land. Natural England makes the following assumptions about the life of different asset classifications:

- Freehold buildings: assessed on a case-by-case basis where there is reliable information about the expected life of the building, and if no such information is available, a 50-year useful economic life is applied

- Improvements to leasehold buildings: 10 years
- Computer equipment: 3 to 5 years
- Plant and other equipment: 5 to 15 years
- Vehicles: 10 years

If more reliable information about the expected life of an asset is available, Natural England will recalculate the rate at which the asset depreciates. Depreciation is not charged on assets under construction.

1.3.3. Intangible assets

In accordance with IAS 38, Natural England recognises identifiable non-monetary assets without physical substance as intangible assets.

Recognition

Natural England applies a capitalisation threshold of £10k. Individual items that cost less than £10k are recognised as an expense in the Statement of Comprehensive Net Expenditure. The acquisition of separate but identical items costing less than £10k each may be eligible for capitalisation subject to the Defra group's capitalisation guidance for grouping assets.

Valuation

Natural England applies the FReM adaptation of IAS 38 for the valuation of intangible assets at amortised historic cost.

Software licenses are recognised at their purchase cost.

Internally developed software is valued at cost, which includes direct costs attributable to the development of the software such as staffing costs and payments to contractors.

Amortisation

Natural England makes the following assumptions about the life of different intangible asset classifications:

- Software licenses: 5 years
- Internally developed software: up to 15 years

If more reliable information about the expected life of an intangible asset is available, Natural England will re-calculate the amortisation of the asset based on the period over which Natural England will

receive the economic benefits of the intangible asset.

Internally developed software that has not yet been brought into service is not amortised.

1.3.4. Heritage assets

Natural England applies IAS 16 as adapted and interpreted by the FReM 2025-26 for heritage assets.

Recognition

Natural England recognises tangible assets with historic, artistic, scientific, technological, geophysical, or environmental qualities that are held and maintained principally for their contribution to knowledge and culture, as heritage assets.

Natural England has one operational heritage asset which is used to deliver services as well as being held for its contribution to knowledge and culture.

All other heritage assets owned by Natural England are non-operational. Non-operational heritage assets include the National Nature Reserves (NNRs), which are lands held in support of Natural England's strategic objective to support a healthy and natural environment, continue to ensure that rich biodiversity can thrive across the landscape, and that ecosystems and habitats are resilient to climate change.

Natural England fulfils a stewardship in respect of the NNRs, which whilst being open to the public, are held principally for their contribution to knowledge and culture and thus recognised as heritage assets. NNRs may include buildings which are used as offices for staff or facilities for visitors, including the public. These are treated as separate components and reported as operational assets in property, plant, and equipment.

Donations of heritage assets made to Natural England is recognised as income through the Statement of Comprehensive Net Expenditure, providing no conditions about the use of the asset have been imposed by the donor.

Valuation

Operational heritage assets are reported in the Statement of Financial Position at their

current value in existing use - Existing Use Value (EUV), subject to professional valuation every five years and supplemented by annual indexation.

Non-operational heritage assets are reported in the Statement of Financial Position at their fair value, subject to professional valuation every five years with annual desktop valuations.

The quinquennial and annual desktop valuations are conducted by external valuers and reviewed by Natural England's management.

The most recent five-yearly valuation took place with a valuation date of 31 March 2022 by Carter Jonas LLP. This was supplemented by annual desktop valuations for operational heritage assets until the adoption of the thematic review reflected in note 1.3.1.

There is valuation uncertainty affecting Natural England's heritage assets because there is limited market evidence of comparable assets being bought and sold. Revaluation surpluses are recognised through the revaluation reserve. Deficits are recognised through the revaluation reserve, limited to the amount previously recognised as surpluses. If there are no previous surpluses against which to allocate the deficit, the deficit is recognised as an expense in the Statement of Comprehensive Expenditure.

1.3.5. Impairment

Natural England reviews all assets annually to identify those where the recoverable amount falls below the carrying amount. Impairment losses attributable to an over-consumption of the economic benefits arising from the asset, or a reduction in its operational capacity, are recognised as an expense in the Statement of Comprehensive Net Expenditure. Impairment losses attributable to a change in market value are first offset against available surpluses previously reported and when exhausted, recognised as an expense in the Statement of Comprehensive Net Expenditure.

1.4. Taxation

Natural England's activities largely sit outside the scope of Value-Added Tax (VAT). Input VAT paid on purchases which cannot be recovered is included in the relevant category

of expenditure or capitalised cost of a non-current asset.

Where output VAT on sales is charged or input VAT is recoverable, transactions are accounted for net of VAT. Natural England has partially exempt status because it makes exempt supplies and is able to reclaim some input VAT each quarter. Some of the irrecoverable VAT is accounted for as 'other programme expenditure' in Note 4.

1.5. Income

1.5.1. Grant in Aid

Natural England receives funding from the Department for Environment, Food, and Rural Affairs as Grant in Aid (GiA). In accordance with FReM 2025-26, GiA received by Natural England, as an ALB, is accounted for as financing through the General Fund.

1.5.2. Operating income

Natural England conducts operating activities from which we derive income from customers. These include income from the District Level Licensing scheme for Great-Crested Newts, the Discretionary Advice Service, the Nutrient Mitigation Scheme and Nationally Significant Infrastructure Projects (NSIP).

Natural England applies IFRS 15 Revenue from Contracts with Customers as interpreted and adapted for the public sector by the FReM 2025-26 to such income, and more information about the assessment of performance conditions is available in Note 5.

1.5.3. Grants receivable

Natural England receives grant funding from organisations including the European Union.

Natural England applies IAS20 Accounting for Government Grants and Disclosure of Government Assistance as interpreted and adapted for the public sector by the FReM 2025-26 to such income.

This income is recognised immediately in the Statement of Comprehensive Net Expenditure unless there are conditions associated with the funding that require Natural England to satisfy obligations in future years or return the income to the funder, in which case the income is deferred until such conditions have been satisfied

Part of the income we receive is to pass on to other organisations when they meet their performance conditions agreed with the principal funding organisation. These amounts are excluded from income as they are not proper to Natural England.

1.6. Expenditure

1.6.1. Employee costs

As is consistent with the basis for accounting for Natural England, employee benefits are accounted for on an accruals basis with expenses and liabilities recognised in the period to which the services rendered by the employee are received.

1.6.1.1. Pensions

Natural England employees and former employees receive pension benefits through the provisions of the Principal Civil Service Pension Scheme (PCSPS) or the Civil Service and Others Pension Scheme (CSOPS).

Further details about Natural England's pension arrangements are available in the Remuneration and Staff Reports. PCSPS and CSOPS are unfunded defined benefit schemes. However, in accordance with the FReM's interpretation of IAS 19 Employee Benefits as adapted for the public sector, Natural England accounts for both schemes as if they are defined contribution schemes.

Natural England recognises the expected cost of employer pension contributions on a systematic and rational basis over the period in which it benefits from the employee's services. Liability for payment of future benefits is a charge on the schemes.

1.6.2. Notional Corporate Services recharge

The corporate services recharge is a charge made by Defra to Natural England in respect of access to services and capacity procured centrally by Defra and shared between Defra and its arms' length bodies. Defra instructs the amount of this charge annually, as well as a breakdown of the areas of spend (e.g. IT, estates) for which the charge is made.

The apportionment of shared services costs by Defra to its arms' length bodies, and between categories of spend, are made on a rational basis using available information, but

are stated in these accounts as a factual description of the charge made by Defra, rather than a fully accurate proxy of the underlying costs relating to Natural England.

For efficiency reasons, the charge is notional, meaning that it is instructed to the ALB for recognition as expenditure in its financial statements without any cash consideration being exchanged within the departmental group, with the other side being recognised in the General Fund.

For 2025-26, Defra calculated the corporate services recharge by multiplying the full year amount incurred by Defra in relation for each service by the average of Natural England's proportion of costs for the previous five years. For 2024-25 and previous years, costs were apportioned between ALBs based on actual costs incurred, apportioned where necessary based on usage by each ALB. No restatement has been made since in both years, Natural England has disclosed the actual charge made by Defra, but this information on the basis of the charge is provided in the interests of transparency. Analysis of the charge can be found in Note 3.1.

1.6.3. Grant expenditure

Natural England may give financial assistance by way of grants to any persons or organisations to undertake any activity which Natural England is empowered to undertake, including the purchase of land.

Grant expenditure is recognised when the obligation on Natural England to pay the grantee crystallises. 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 forward into the following 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 several specific schemes and projects, such as the Nature for Climate Peatland Grant Scheme. These grants are recognised when Natural England has a present obligation to the grantee because of them meeting their performance obligations as set out in the

grant agreement, and Natural England being able to form a reliable estimate of the expenditure.

Part of the grant expenditure is passed on to other organisations when they meet their performance conditions agreed with the principal funding organisation. These amounts are excluded from expenditure as they are not proper to Natural England.

1.6.4. Research and development

All research and development expenditure is expensed in-year to the SoCNE.

1.7. Provisions and contingent liabilities

Natural England applies IAS 37 Provisions, Contingent Liabilities and Contingent Assets as adapted and interpreted for the public sector by the FReM 2025-26.

Consequently, Natural England provides for obligations arising from past events where it is probable that an economic outflow will be required to settle the obligation and the outflow can be reliably estimated. Provisions are discounted to reflect the present value of the estimated cost to settle the obligation.

Natural England also discloses contingent liabilities within the scope of IAS 37 but where the likelihood of a transfer of economic benefits is considered too remote.

1.8. Leases

1.8.1. Natural England as a lessee

Liabilities have been calculated using the present value of outstanding payments due at the start of the lease and the right of use assets are calculated as the lease liability but may require further adjustment for initial direct costs, prepayments or incentives, and costs related to restoration at the end of a lease.

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 which states that VAT should not form part of the 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.

Natural England has assessed those right-of-use assets which are to be assessed on a revaluation basis, being peppercorn leases, and long-term leases with no rent review provision, or significant time between reviews.

The subsequent measurement of right of use assets is at fair value or current value in existing use where assets are held for their operational capacity unless cost represents a reasonable proxy. This year, 68 land and buildings valuations have been determined by appropriately qualified professionals in accordance with RICS Guidance.

1.8.2. Natural England as a lessor

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 and the occupant. Corporate estate leases will therefore be recognised in full by the legal leaseholder unless there is a formal arrangement in place.

1.9. Cash and cash equivalents

Natural England uses the Government Banking Service for all banking services and manages them in accordance with HM Treasury's Banking Stewardship Guidance. Natural England holds no commercial bank accounts. Cash and cash equivalents include cash in hand and deposits with any qualifying 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.

1.10. Financial instruments

Natural England holds few types of financial instruments, and those it does are held in the ordinary course of business such as receivables and payables.

Natural England uses the simplified approach of IFRS 9 to account for lifetime expected credit losses from initial recognition.

1.11. Inventory

Natural England's inventory primarily consists of Nutrient Credits. These are accounted for under IAS 2, valued at the lower of cost and net realisable value. Credits are subject to an assessment at year-end to demonstrate that the balance is recoverable. Natural England also has some agricultural assets. These are accounted for under IAS 41, which requires such assets to be valued at fair value less costs to sell.

1.12. Insurance contracts

IFRS 17 Insurance Contracts replaces IFRS 4 Insurance Contracts and is included in the FReM for mandatory implementation for 2025-26. It establishes the principles for the recognition, measurement, presentation, and disclosure of insurance contracts within the scope of this Standard. Natural England has no arrangements which are in-scope of the standard.

2. Significant judgments and estimation uncertainty

The Accounting Officer is required by the FReM to make judgements and estimates on a reasonable basis.

2.1 Non-current land, building, and heritage asset valuation

Land, building and heritage assets are professionally valued by independent qualified surveyors in accordance with Royal Institution of Chartered Surveyors (RICS) guidance.

Asset valuations take place every five years, supported by annual desktop revaluations for non-operational assets and supplemented by annual indexation for operational assets.

The most recent five-yearly valuation took place with a valuation date of 31 March 2022 by Carter Jonas LLP.

Desktop revaluations consider additions, disposals, and other factors which have a significant impact on the current value in existing use or fair value, such as damage, change in use, or market forces.

It considers what a market participant would recognise as the characteristics of an asset including the condition and location of the asset. It also, through its external valuers, considers the sale prices of comparable assets to the extent that an active market exists for these assets.

The valuation of non-operational heritage assets is a matter of judgement on the part of Natural England's management, because of the absence of regularly transacted comparable assets and the unique features and qualities of these assets. This includes SSSIs and National Landscapes. The value of heritage assets assessed as being subject to increased valuation uncertainty is £11.2m (2024-25: £11.4m).

There are no heritage assets that have not been recognised or are held at cost due to the inability to attribute a fair value.

2.2 Provision for pond monitoring and maintenance

Natural England is obliged to monitor and maintain habitats for great-crested newts created under the District Level Licensing scheme, for 25 years.

The estimated future liability for this activity is recognised as a provision. The cost estimate used when calculating the value of the provision is also considered when setting the fees for customers participating in the scheme. Forecasting the long-term future costs of maintaining these ponds is therefore a source of estimation uncertainty.

2.3 Nutrient Credits

Natural England acquires nutrient credits for sale to customers through land management agreements. The credits are recognised on the SoFP as inventory.

In determining the number of credits that arise from each agreement, an assessment is

made of the pollution that will be mitigated through conditions in the agreements that prevent a landowner from engaging in prohibited activities that would otherwise cause pollutants to enter the watercourse. This assessment is conducted using a scientific model developed by Natural England in conjunction with an environmental consultancy firm. Where the geology of the site covered by an agreement is such that the model may not produce a reliable outcome, an external hydrogeological assessment may be commissioned to accurately identify the timing and scale of the pollution that will be mitigated. There were no such assessments conducted in 2025-26 (2024-25: nil).

Notwithstanding the scientific basis for the model and the hydrogeological assessments, this remains a matter of judgement that may have a material impact on the financial statements. The number of credits for sale that arise from each agreement affects total future revenue, as having more or fewer credits available to sell may result in more or less revenue, and it will also affect the cost of sale per credit, since each credit is initially valued at the total cost of the agreement divided by the number of credits arising from the agreement, plus directly attributable overheads.

Natural England also exercises judgement in applying the requirements of IAS 2 Inventories to ensure that balances are correctly measured at the lower of cost and net realisable value. Natural England considers that given past and expected future credit sales, the realisable value no longer exceeds cost and the carrying value has been reduced accordingly. The reduction in value of these credits recognised through the SoCNE is £10.0 million.

2.4 Equal pay claims

The FReM 2025-26 requires Natural England to apply IAS 37 Provisions, Contingent Liabilities, and Contingent Assets as applied and interpreted for the public sector.

In previous years, a provision was recognised representing: (a) the 38 equal pay claims lodged against Natural England (which were settled in 2024-25 on an ex-gratia basis without admission of liability) and (b) potential future obligation in relation to any future equal

pay claims. In 2025-26, Natural England has assessed that outflow is no longer probable. In making this assessment, Natural England has considered several factors, including publicly available information and professional advice. Accordingly, Natural England has derecognised the provision and disclosed a contingent liability for potential future obligations in relation to any future equal pay claims.

Natural England has assessed potential future obligations in relation to potential future equal pay claims are highly uncertain, and dependent on whether potential claims will be made, whether Natural England assesses that potential claims can be successfully defended and whether an outflow will be required to settle potential claims. Given the uncertainties, Natural England has estimated its exposure to be between £0 million and £33.9 million at 31 March 2026. However, after considering both the probability of further potential claims and the potential outflow of potential claims, Natural England considers that the potential obligation which may arise would likely be at the lower end of this range. A most likely outflow, in the event of outflow, has been assessed at £0.2 million. The steps that Natural England have and continue to take to address the potential risk is shown in Note 13.

2.5 Landscape Recovery

Included in Note 3 is an expected credit loss for loan commitments relating to the Landscape Recovery programme. IFRS 9 requires Natural England to calculate an expected credit loss on undrawn commitments, representing the present value of the difference between the contractual cash flows that are due to Natural England if the counterparty of the loan commitment draws down the loan and the cash flows that Natural England expects to receive if the loan is drawn down. Natural England has calculated the expected credit loss on the non-cancellable element of the loan, rather than the loan over the whole term. At 31 March 2026, Natural England does not consider that it will receive repayment on the non-cancellable loan commitment and therefore has calculated an expected credit loss for the full non-cancellable loan commitment of £6.7 million.

3. Expenditure

	2025-26 £000	2024-25 £000
Staff Costs		
Wages and salaries	120,319	111,236
Social security costs	14,839	12,355
Other pension costs	32,567	31,657
Less recoveries in respect of outward secondments	(906)	(1,608)
Staff costs	166,819	153,640
Other Costs		
Travel, subsistence and hospitality	4,381	4,135
Estate management	1,078	1,206
Stationery and printing	28	52
Internal audit fees	277	375
Transport and plant costs	1,065	1,011
Credit losses	125	(196)
SSCL shared service charges	(20)	23
Professional services*	2,177	1,514
IT costs	2,370	730
Training and development	2,155	1,733
Professional memberships	138	145
Protective clothing, lab and safety equipment*	185	252
Cost of inventories sold	3,643	5,248
Short term and low value leases and NNR agreements	356	679
Science and evidence monitoring surveillance	4,760	7,528
Research and development	29,902	31,053
Legal	1,165	1,038
District Level Licensing	3,306	3,247
Loss on initial recognition of financial instruments held at FVTPL (see Note 8)	341	-
Other operating costs*	8,886	13,370
Non-cash items		
Depreciation	1,963	1,146
Depreciation on right of use assets	779	546
Amortisation	3,537	2,637
Revaluation/impairment on non-current assets	3,672	4,343
Expected credit loss on loan commitments (see Note 8)	6,651	-
Impairment of inventories	9,983	(61)
Provisions provided for in year/(written back)	2,753	(834)
Notional corporate services recharges	38,857	44,435
Loss on the disposal of property, plant and equipment	23	-
Profit on the disposal of property, plant and equipment	(267)	(193)
Grant Expenditure		
Grants and contributions to central government	106	22
Grants and contributions to local government	13,497	12,453
Grants and contributions to public corporations	346	1,222
Grants and contributions to companies and private sector	3,788	6,319
Grants and contributions to charities and non profit institutions	21,500	28,652
Total	340,325	327,470

* This note has been restructured from previous years to make it more useful for users. Grants, which were previously presented as a single figure, have been disaggregated to reflect the type of recipient. The distinction between admin and programme spend has been removed so all spend is now presented together. Where individual lines have moved or merged, any changes made to prior year figures are reclassifications only and overall expenditure remains as reported in the 2024-25 financial statements.

3.1. Group Corporate Services recharges

As explained in Note 1.6.2, Natural England receives certain services from Defra, for which a charge is then instructed by Defra for inclusion in the financial statements. The amounts instructed by service were:

	31 March 2026 £000	31 March 2025 £000
Digital, Data, Technology, and Security	19,857	22,813
Property	10,018	11,179
Shared Services	2,125	2,548
Commercial	1,047	1,182
Human Resources	2,134	1,854
Finance	2,284	3,024
Communications	1,392	1,835
Total	38,857	44,435

4. Income

4.1. Revenue from contracts with customers

	2025-26 £000	2024-25 £000
Discretionary advice (inc. PSS and undefined scope)	3,297	2,974
Nationally Significant Infrastructure Projects	2,231	2,385
Partnership agreements	933	982
National Nature Reserves (NNR) income	1,636	956
Great Crested Newt District Level Licensing income	14,697	8,818
Environmental mitigation schemes*	4,994	6,301
Wildlife licencing	1,672	1,494
Miscellaneous*	313	321
Total revenue from contracts with customers	29,773	24,231

* This note has been restructured from previous years to make the headings more useful for readers. Where individual lines have moved or merged, any changes made to prior year comparators are reclassifications only and overall income remains as reported in the 2024-25 financial statements.

4.1.1. Significant judgements applied

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

Natural England recognises expected credit losses using the simplified approach in IFRS 9 recognised lifetime credit losses on inception.

4.1.2. Performance obligations (PO)

Performance obligations are promises to transfer goods or services to a customer, and these form part of the contract with the customer. Our contracts largely contain a single performance obligation and the transaction price allocated to each obligation is therefore determined by the agreed price in the contract with the customer.

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 performance obligations are typically satisfied.

Natural England's income recognition points

Performance obligations typically satisfied at a point in time	
Description of income	Income recognition point
Discretionary Advice Service (including PSS)	When the advice is given to the customer.
NNR Income – NNR usage licences, wayleaves, rents etc.	When the right of use is granted to the customer.
NNR Income – timber sales, filming rights, livestock sales etc.	When the goods or services are delivered to the customer.
Legal receipts (fines and penalties recorded under miscellaneous income)	When Natural England becomes entitled to the funds (e.g. following a court proceeding).
District Level Licencing for Great Crested Newts – enquiry fee	When Natural England completes an impact assessment, on application by a developer, determining the cost of mitigation for a proposed development.
District Level Licencing for Great Crested Newts – conservation payment	When the Impact Assessment and Conservation Payment Certificate (IACPC), which forms the basis of the contract between Natural England and the Developer, is signed by both parties, transferring the obligation to mitigate the harm caused by the proposed development to Natural England.
District Level Licencing for Great Crested Newts – licence fee	When a licence application has been duly assessed in line with the Habitat Regulations and the licence issued by Natural England to a customer.
Environmental mitigation schemes	
Nutrient Mitigation Scheme – Administration Fee	When Natural England issues a Provisional Nutrient Credit Certificate to a developer.
Nutrient Mitigation Scheme – Mitigation Payment	When Natural England issues a Final Nutrient Credit Certificate to a developer.
Biodiversity Net Gain – Registration of Gain Sites	When Natural England processes an application to register, amend, remove, allocate or deallocate a gain site from the Biodiversity Net Gain Register.
Performance obligations typically satisfied over time	
Description of income	Income recognition point
Discretionary Advice Service – undefined scope contracts	When the advice is delivered and so this revenue is recognised over time using the input method evidenced by timesheet data.
Catchment Sensitive Farming – Water Company contracts	When the advice is delivered, using the output method evidenced by the passage of time, with invoices raised quarterly.
High Speed 2 (HS2) contract	When the advice is delivered and so this revenue is recognised over time using the input method evidenced by timesheet data.

Wildlife Incident Investigation Service (WIIS) contract	When the advice is delivered and so this revenue is recognised over time using the input method evidenced by timesheet data.
Strategic Access Management and Monitoring (SAMM) agreement	When services are delivered using the input method evidenced by costs incurred to date.
Contributions from lead partners for EU LIFE, HLF, EU Horizon 2020, UKRI and the Crown Estate	When project deliverables are delivered using the input method evidenced by costs incurred to date.

4.1.3. Transaction price allocated to remaining performance obligations

Natural England has several multi-year contracts in place with customers that had not yet been completed as of 31 March 2026, including:

- i. **Strategic Access Management and Monitoring (SAMM)** agreement, 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.
- ii. **Discretionary Advice Service (DAS)** contracts with customers in which Natural England provides advice on planning applications. Natural England accounts for the income due under these contracts using the input method evidenced by timesheet data.

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

4.1.4. District Level Licensing for Great Crested Newts

Great Crested Newts (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 income that Natural England reports as conservation payments are the developer's contributions which Natural England use to create and maintain ponds for 25 years. Natural England recognises a provision to represent the cost of future maintenance for the ponds, discounted at the appropriate rate.

4.1.5. The Nutrient Mitigation Scheme

There are 62 Local Planning Authorities (LPAs) in England where Natural England has determined that pollution of nitrogen and phosphorus from wastewater is a significant environmental issue, leading to *unfavourable conservation status* for designated water-dependent habitat sites. In these LPAs, near the affected water-dependent sites, new dwellings should achieve Nutrient Neutrality to

comply with the Habitat Regulations, meaning for every kilogram of nitrogen or phosphorus added to the catchment, one kilogram must be removed. Developers can achieve this through buying Nutrient Credits from Natural England.

Natural England secures nutrient reductions by, for example, making agreements with landowners to cease the use of nitrogen-rich fertiliser on their land. The kilograms of nutrient pollution then avoided are sold to developers as Credits, unlocking housebuilding. Natural England monitors these agreements for up to 125 years using funds generated from the sale of credits. See note 2.3 for further information.

4.2. Other operating income

	2025-26 £000	2024-25 £000
Grants from European Union ¹	1,617	1,784
Grants and contributions from central government	697	622
Grants and contributions from local government	127	150
Grants and contributions from public corporations	1,005	2,111
Grants and contributions from companies and private sector	203	277
Grants and contributions from charities and non-profit institutions	462	275
Miscellaneous ²	96	580
Total other operating income	4,207	5,799

1. The basis for disaggregating grants income has changed from the prior year to reflect the origin of the income. All prior year comparators have been revised on this basis but the overall total has not changed.

2. Prior year figure was previously published as apprenticeship levy and BPS income

Natural England accounts for income that does not fall within the scope of IFRS 15 Revenue from Contracts with Customers as other operating income. Grants received are accounted for using IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. The two largest sources of income accounted for under IAS 20 are:

- I. European Union grants received from EU LIFE and other EU grant programmes for delivering specific environmental projects. Natural England is no longer able to apply for European Union funding following the UK's withdrawal from the European Union, however existing projects will continue to be funded until the end of the project.
- II. Funding from the Crown Estate as part of the Offshore Wind Evidence and Change (OWEC) programme.

5. Non-current assets

5.1. Property, plant and equipment

5.1.1 Property, plant, and equipment at 31 March 2026

	Land £000	Buildings owned £000	Leasehold Improvements £000	IT £000	Infrastructure, Furniture and Fittings £000	Plant and Machinery £000	Vehicles £000	Assets under construction £000	Total £000
Cost or valuation									
At 1 April 2025	21,124	17,697	346	396	6,700	10,282	3,950	14,185	74,680
Additions	-	-	-	-	198	1,243	617	8,310	10,368
Donations	307	-	-	-	-	250	-	-	557
Disposals	-	-	-	-	(36)	(164)	(703)	-	(903)
Impairment (note 7)	-	(251)	-	-	-	-	-	(1,666)	(1,917)
Reclassifications	27	1,754	(346)	-	8,647	-	597	(10,082)	597
Revaluation	(247)	(1,286)	-	-	-	-	-	-	(1,533)
At 31 March 2026	21,211	17,914	-	396	15,509	11,611	4,461	10,747	81,849
Depreciation									
At 1 April 2025	-	4,044	-	395	2,406	5,670	2,039	-	14,554
Charges in year	-	390	-	1	536	724	312	-	1,963
Disposals	-	-	-	-	(35)	(162)	(681)	-	(878)
Impairment (note 7)	-	(103)	-	-	-	-	-	-	(103)
Reclassifications	-	-	-	-	-	-	199	-	199
Revaluation	-	85	-	-	-	-	-	-	85
At 31 March 2026	-	4,416	-	396	2,907	6,232	1,869	-	15,820
Net book value 31 March 2026	21,211	13,498	-	-	12,602	5,379	2,592	10,747	66,029
Net book value 31 March 2025	21,124	13,653	346	1	4,294	4,612	1,911	14,185	60,126
Assets financing									
Owned	21,211	13,498	-	-	12,602	5,379	2,592	10,747	66,029
Net book value 31 March 2026	21,211	13,498	-	-	12,602	5,379	2,592	10,747	66,029

5.1.2 Property, plant, and equipment at 31 March 2025

	Land £000	Buildings owned £000	Leasehold Improvements £000	IT £000	Infrastructure, Furniture and Fittings £000	Plant and Machinery £000	Vehicles £000	Assets under construction £000	Total £000
Cost or valuation									
At 1 April 2024	20,586	11,590	346	396	4,014	9,442	3,913	16,291	66,578
Additions	830	-	-	-	55	776	567	6,392	8,620
Disposals	-	-	-	-	(46)	(740)	(530)	-	(1,316)
Impairment (note 7)	101	170	-	-	-	-	-	(168)	103
Reclassifications	-	4,849	-	-	2,677	804	-	(8,330)	-
Revaluation	(393)	1,088	-	-	-	-	-	-	695
At 31 March 2025	21,124	17,697	346	396	6,700	10,282	3,950	14,185	74,680
Depreciation									
At 1 April 2024	-	2,916	-	393	2,410	5,753	2,329	-	13,801
Charges in year	-	315	-	2	42	551	236	-	1,146
Disposals	-	-	-	-	(46)	(634)	(526)	-	(1,206)
Impairment (note 7)	-	46	-	-	-	-	-	-	46
Revaluation	-	767	-	-	-	-	-	-	767
At 31 March 2025	-	4,044	-	395	2,406	5,670	2,039	-	14,554
Net book value 31 March 2025	21,124	13,653	346	1	4,294	4,612	1,911	14,185	60,126
Net book value 31 March 2024	20,586	8,674	346	3	1,604	3,689	1,584	16,291	52,777
Assets financing									
Owned	21,124	13,653	346	1	4,294	4,612	1,911	14,185	60,126
Net book value 31 March 2025	21,124	13,653	346	1	4,294	4,612	1,911	14,185	60,126

5.2. Intangible assets

5.2.1 Intangible assets at 31 March 2026

	Assets under construction £000	Purchased software £000	Internally generated software £000	Total £000
Cost or valuation				
At 1 April 2025	892	3,273	26,930	31,095
Additions	42	-	-	42
Reclassifications	(95)	-	95	-
At 31 March 2026	839	3,273	27,025	31,137
Amortisation and impairment				
At 1 April 2025	-	3,270	4,180	7,450
Charged in year	-	-	3,537	3,537
At 31 March 2026	-	3,270	7,717	10,987
Net book value 31 March 2026	839	3	19,308	20,150
Net book value 31 March 2025	892	3	22,750	23,645
Assets financing				
Owned	839	3	19,308	20,150
Net book value 31 March 2026	839	3	19,308	20,150

5.2.2 Intangible assets at 31 March 2025

	Assets under construction £000	Purchased software £000	Internally generated software £000	Total £000
Cost or valuation				
At 1 April 2024	11,235	4,552	12,800	28,587
Additions	4,436	-	115	4,551
Impairments	(4,254)	-	-	(4,254)
Transfers	-	-	2,211	2,211
Reclassifications	(10,525)	(1,279)	11,804	-
At 31 March 2025	892	3,273	26,930	31,095
Amortisation and impairment				
At 1 April 2024	-	4,549	264	4,813
Charged in year	-	-	2,637	2,637
Reclassifications	-	(1,279)	1,279	-
At 31 March 2025	-	3,270	4,180	7,450
Net book value 31 March 2025	892	3	22,750	23,645
Net book value 31 March 2024	11,235	3	12,536	23,774
Assets financing				
Owned	892	3	22,750	23,645
Net book value 31 March 2025	892	3	22,750	23,645

6. Non-current heritage assets

Natural England is the body empowered (under the National Parks and Access to the Countryside Act 1949 and Wildlife and Countryside Act 1981) to declare NNRs in England. 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. Leased heritage assets are shown separately in Note 14.

The current net book value of donated heritage assets is £3.5m. Valuation of non-operational heritage assets is complex because applying a market value involves a number of judgemental assessments due to the specific features of the site and for some sites with particular features such as peatlands, heathland, coastal sand dunes, and foreshores, there is limited comparable market evidence. See Note 2.1 for further information about the valuation uncertainty.

	Operational £000	Non- operational £000	Total £000
At 1 April 2025	2,434	110,001	112,435
Revaluation	(68)	2,926	2,858
Net book value 31 March 2026	2,366	112,927	115,293
At 1 April 2024	2,434	107,905	110,339
Additions	-	1,352	1,352
Impairment	-	(135)	(135)
Revaluation	-	879	879
Net book value 31 March 2025	2,434	110,001	112,435
At 1 April 2023	2,320	104,540	106,860
Additions	-	1,791	1,791
Impairment	-	(239)	(239)
Reclassifications	-	(667)	(667)
Revaluation	114	2,480	2,594
Net book value 31 March 2024	2,434	107,905	110,339
At 1 April 2022	2,320	92,439	94,759
Additions	-	6,653	6,653
Impairment	-	(577)	(577)
Revaluation	-	6,025	6,025
Net book value 31 March 2023	2,320	104,540	106,860
At 1 April 2021	3,361	71,348	74,709
Additions	-	1,745	1,745
Impairment	-	297	297
Reclassifications	-	742	742
Revaluation	(1,041)	18,307	17,266
Net book value 31 March 2022	2,320	92,439	94,759

7. Impairment of non-current assets

	2025-26 £000	2024-25 £000
Impairment to Statement of Comprehensive Net Expenditure		
(Charge)/Credit to Statement of Comprehensive Net Expenditure	(3,672)	(4,343)
(Charge)/Credit to Revaluation Reserve	3,049	830
	(623)	(3,513)

	Upward revaluation £000	Downward revaluation £000	Total RR Movement £000	Impairment to SOCNE £000
Land	-	(247)	(114)	(133)
Building	298	(1,817)	298	(1,817)
Assets under construction	-	(1,666)	-	(1,666)
Heritage	3,508	(650)	2,870	(12)
Right of use assets	5	(54)	(5)	(44)
Balance at 31 March 2025	3,811	(4,434)	3,049	(3,672)

8. Financial instruments

Natural England holds few types of financial instruments. In addition to those that are held in the ordinary course of business (such as receivables and payables), Natural England has financial arrangements for nature intervention classified under IFRS 9 as loans and loan commitments.

The most significant arrangements are described briefly in Note 2.5 relating to the Landscape Recovery programme. This programme is one of the Defra's Environmental Land Management Schemes and supports long-term, large-scale projects that aim to restore nature, improve biodiversity and deliver environmental benefits in landscapes in England. Interventions are arranged through specific legal agreements between Natural England and counterparties, reflecting the blend of public and private financing for the required actions.

In respect of one Landscape Recovery project, terms include a grant payable by Natural England which is repayable in specific circumstances. Public funding is an intended feature of the Landscape Recovery Programme, and Natural England currently does not expect any recovery. However, because of the contingent repayment terms, this arrangement is treated under IFRS 9 as a loan.

In accordance with the requirements of IFRS 9, loans are recognised at fair value through profit and loss and valued at inception and year-end. For loan commitments, Natural England recognises an expected credit loss on the non-cancellable portion of the loan commitment, which is determined based on management judgement. For other receivables, Natural England uses the simplified approach of IFRS 9 to account for lifetime expected credit losses from initial recognition.

During 2025-26, Natural England provided a £0.3 million loan in relation to the Landscape Recovery programme. In line with management's assessment that the conditions under which the grant funding would need to be repaid are not expected to materialise, Natural England has assessed the fair value of this loan on inception and at 31 March 2026 to be £nil. As at 31 March 2026, Natural England assesses that it has relevant contractual commitments to provide up to a further £6.7 million in loans during 2026-27 relating to agreements signed during 2025-26. Natural England has assessed that an expected credit loss for the full 2026-27 loan commitment should be recognised in 2025-26. Both of these items appear as expenses in Note 3.

9. Inventory

Natural England reports livestock held for sale, consumables, and Nutrient Credits as inventory. Livestock held for breeding purposes are recognised as a non-current agricultural asset. Inventory comprises:

	31 March 2026 £000	31 March 2025 £000
Nutrient credits*		
At 1 April	13,101	15,222
Additions	4,224	3,066
Disposables	(5,051)	(5,248)
Impairments	(9,983)	61
At 31 March	2,291	13,101
 Livestock/consumables	 115	 115
Total	2,406	13,216

*The presentation of this note has been changed to show more detailed movements in nutrient credit inventories. The prior year comparators have been revised to reflect this change but the overall totals have not changed.

	31 March 2026 £000	31 March 2025 £000
Current	2,406	5,176
Non-current	-	8,040
Total	2,406	13,216

10. Trade and other receivables

	31 March 2026 £000	31 March 2025 £000
Amounts falling due within one year		
Trade receivables	5,745	1,790
VAT	565	4,402
Prepayments	844	231
Accrued income – DLL newts	19,954	15,131
Accrued income – other	4,006	4,707
Less expected credit loss for receivables and contract assets	(1,568)	(1,172)
Total receivables due within one year	29,546	25,089
 Amounts falling due after more than one year		
Accrued income – DLL newts	6,338	5,044
Less expected credit loss for receivables and contract assets	(475)	(338)
Right to recover inventories	1,538	-
Total receivables due after more than one year	7,401	4,706
 Total receivables	36,947	29,795

11. Cash and cash equivalents

	31 March 2026 £000	31 March 2025 £000
Balance at 1 April	29,276	21,870
Net change in cash and cash equivalent balances	26,785	7,406
Balance at 31 March	56,061	29,276
The following balances at 31 March are held at:		
Government Banking Services	56,061	29,276
Balance at 31 March	56,061	29,276

12. Trade and other payables

	31 March 2026 £000	31 March 2025 £000
Amounts falling due within one year		
Other taxation and social security	5,178	3,706
Trade and other payables	14,959	16,071
Accruals	36,261	35,271
Deferred income	4,003	4,728
Obligations under leases	483	1,155
Expected credit losses on loan commitments	6,651	-
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund	1,063	-
Trade and other payables due within one year	68,598	60,931
Amounts falling due after more than one year		
Obligations under leases	3,635	3,802
Deferred income	1,858	-
Other payables due after more than one year	5,493	3,802
Total trade and other payables	74,091	64,733

13. Provisions for liabilities and charges

	Balance at 1 April 2025 £000	Provided in the year £000	Provisions utilised in the year £000	Provisions not required written back £000	Balance at 31 March 2026 £000
Litigation	3,084	321	(102)	(2,958)	345
District Level Licensing	12,088	5,390	(1,083)	-	16,395
Total	15,172	5,711	(1,185)	(2,958)	16,740

Please see Note 2.2 for information about the estimation uncertainty in calculating the District Level Licensing provision.

The provisions not required written back in the litigation line above includes the reversal of the equal pay claim provision as a result of the steps taken by Natural England to reduce the incidence of unequal pay (as an example, when a woman is paid less than a man for doing the equivalent work). This includes Natural England submitting a pay flex case in July 2025. Trade Unions subsequently accepted the pay offer in February 2026. Natural England began implementing the outcome of the pay flex case in March 2026 with changes backdated to take effect from July 2025. Some historical residual risks remain, but Natural England considers that the proactive and meaningful steps it has taken, and continues to take means that the risk of successful potential

future equal pay claims is not probable at 31 March 2026, such that a provision is no longer required.

Natural England has disclosed a contingent liability for potential future obligations in relation to potential future equal pay claims in Note 16.

Analysis of expected timings of discounted flows

	Not later than one year £000	Later than one year and not later than five years £000	Later than five years £000	Balance at 31 March 2026 £000
Litigation	345	-	-	345
District Level Licensing	2,485	4,824	9,086	16,395
Total	2,830	4,824	9,086	16,740

14. Commitments under leases

Further information about Natural England's leases and right of use assets is available in the accounting policies.

14.1. Quantitative disclosures around right of use assets

	Heritage land £000	Buildings £000	Vehicles £000	Total £000
Right of use assets				
Opening balance at 1 April 2025	3,607	919	636	5,162
Additions	135	261	20	416
Reclassification	-	-	(398)	(398)
Revaluations	(49)	-	-	(49)
Depreciation expense	(389)	(185)	(205)	(779)
Closing balance at 31 March 2026	3,304	995	53	4,352

	Heritage land £000	Buildings £000	Vehicles £000	Total £000
Right of use assets				
Opening balance at 1 April 2024	3,587	979	-	4,566
Additions	371	105	654	1,130
Depreciation expense	(358)	(170)	(18)	(546)
Revaluations	7	5	-	12
Closing balance at 31 March 2025	3,607	919	636	5,162

14.2. Lease liability movement in year

	2025-26 £000	2024-25 £000
Opening liability	4,957	4,316
Additions	395	1,088
Payments	(1,296)	(508)
Disposal	(6)	-
Interest	68	61
Closing liability	4,118	4,957

14.3. Quantitative disclosures around lease liabilities - Maturity analysis

	31 March 2026 £000	31 March 2025 £000
Obligations under leases for the following periods comprise:		
Land and buildings		
Not later than one year	547	504
Later than one year and not later than five years	1,645	1,607
Later than five years	3,229	3,199
	5,421	5,310
Less interest element	(1,303)	(1,008)
Present value of obligations	4,118	4,302
Other - Vehicles		
Not later than one year	-	655
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	655

	31 March 2026 £000	31 March 2025 £000
Total present value of obligations	4,118	4,957
Current portion	483	1,155
Non-current portion	3,635	3,802

14.4. Quantitative disclosures around elements in the Statement of Comprehensive Net Expenditure

	31 March 2026 £000	31 March 2025 £000
Sub-leasing income	(41)	(56)
Expense related to short-term leases	7	8

14.5. Quantitative disclosures around cash outflow for leases

	31 March 2026 £000	31 March 2025 £000
Capital lease liability payment	1,228	447

14.6. 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.

15. Other financial commitments

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

	31 March 2026	31 March 2025
	£000	£000
Not later than one year	16,461	19,278
Later than one year and not later than five years	842	771
Later than five years	280	298
Total	17,583	20,347

Included within the not later than one year line above is £12,593k, which relates to commitments under contractual agreements made through the Landscape Recovery programme. Of this, £10,003k relates to commitments made in one agreement. This is the only material financial commitment. Of this £10,003k, £6,651k relates to the 2026-27 loan commitment, for which Natural England has recognised an expected credit loss. Further details are shown in Notes 8 and 12.

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

At 31 March 2026, Natural England had contingent liabilities incurred in the ordinary course of its business in respect of its statutory and regulatory functions. Natural England have assessed no material losses are expected to arise from these contingent liabilities, should these crystallise.

National Nature Reserve environmental remediation

Natural England previously disclosed a potential liability relating to historic hazardous waste from a previous owner at one of its National Nature Reserve sites, formerly used for cordite production and later industrial tipping. Following further investigation and assessment of remediation options, Natural England's current estimate of the preferred remediation measures, should remediation ultimately be required, is approximately £2m-£3m, compared with the previously disclosed range of £5m-£14m. On the basis of the revised estimate, the matter is no longer considered material.

Equal pay claims

In 2022, 38 equal pay claims were lodged against Natural England, which were subsequently settled on an ex-gratia basis without admission of liability in 2024. The ex-gratia settled claims were historic, relating to pay from 2016 to 2022, and Natural England has taken steps to reduce the percentage pay disparity levels. The cases arose because when the organisation was formed in 2006, pay ranges of the three founding bodies were combined, not reformed, and so pay for an individual was determined by prior employment, not the equivalence in the job they were now doing. Public sector pay restraint meant this could not be addressed for some time.

The mean gender pay gap in Natural England has decreased from 1% in 2024 to 0.6% in 2025. The Equal Pay Audits for 2023-24 and 2024-25 shows that the mean pay gap across all pay groups remains below the difference levels the Equality and Human Rights Commission considers that further investigation may be appropriate. In 2025-26, Natural England has continued to take a number of steps to reduce the incidence of unequal pay: i.e., when a woman is paid less than a man for doing the equivalent work. This includes submitting a pay flex case in July 2025, which was subsequently accepted by Trade Unions in February 2026 and implemented by July 2026 and ensuring women can progress their careers (including a pay scale restructure and proportionate application of annual pay awards).

Natural England has a contingent liability relating to the potential for future further equal pay claims. Natural England has estimated its financial effect to be within the range of £0 million and £33.9 million. A most likely outflow, in the event of outflow, has been assessed at £0.2 million. This estimate has been determined in the context of the significant uncertainties which exist over both the potential for further claims to occur and any potential obligations arising from those claims. Natural England considers there is a reasonable probability that outflow on future claims may be £nil if no claims are made. See Note 2.4 for further information.

Some historical residual risks remain which are consistent with large organisations where there are differences in pay at the same grade. Despite this, Natural England continues to take proactive and meaningful steps around further pay reform.

Landscape Recovery

During 2025-26, Natural England entered into three agreements relating to the Landscape Recovery programme. In entering into these agreements, Natural England has assessed that it has contingent liabilities for the potential purchase of units in relation to: (a) carbon guarantee payment relating to the purchase of carbon units (b) water quality support payment relating to the purchase of water quality units of nitrate and phosphorus. The potential purchase is subject to:

- Agreement holders meeting certain conditions as set out in the agreements; and
- In the case of the carbon guarantee payment, agreement holders requiring Natural England to purchase units
- In the case of water quality support payment, there being a shortfall between the number of units expected to be sold by the agreement holder and the actual number of units sold in the relevant contract year.

Its exposure in relation to these is within the range of: £nil to £4.4 million (undiscounted).

17. Related party disclosures

Natural England is an executive non-departmental public body sponsored by the Department for Environment, Food and Rural Affairs, which is therefore regarded as a related party. Natural England has carried out a significant number of material transactions with Defra in the normal course of business, and with other entities for which Defra is regarded as the parent department.

18. Events after the reporting date

In accordance with IAS 10, events after the reporting date are considered up to the date of which the accounts are authorised for issue by the Accounting Officer. These financial statements have been authorised for issue by the Accounting Officer on the date the Comptroller and Auditor General's audit certificate and report was signed.

In January 2026, the government published its Water White Paper in response to the Independent Water Commission, led by Sir Jon Cunliffe, following a review on the water sector and how it is regulated. The recommendation for the creation of a new water regulator includes merging the relevant water-related functions of the Environment Agency and Natural England, alongside Ofwat and the Drinking Water Inspectorate. Natural England is currently working through the implications of this with Defra. The impact of these changes on the financial statements is not considered to be significant.

Note 8 details the loan commitments of Natural England as at 31 March 2026 under the Landscape Recovery programme. Between 31 March 2026 and the date that the accounts are authorised for issue by the Accounting Officer, further commitments of £6.0 million have become enforceable under the agreements signed during 2025-26.



The story behind the picture: Otley Chevin, by Rebecca Eyre, showcasing the beauty of nature interacting closely with infrastructure

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

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