

Environmental compliance and enforcement

Department for Environment, Food & Rural Affairs

REPORT

by the Comptroller and Auditor General

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Environmental compliance and enforcement

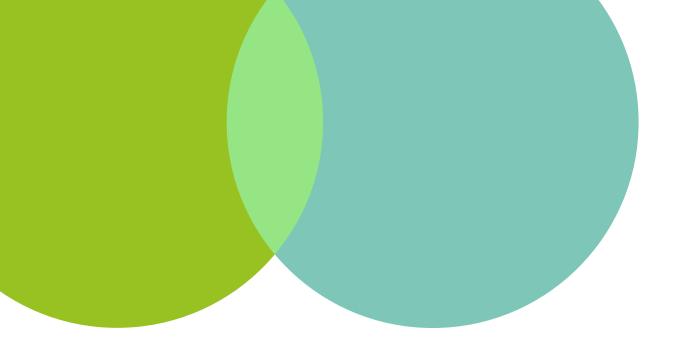
Department for Environment, Food & Rural Affairs

Report by the Comptroller and Auditor General

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Gareth Davies
Comptroller and Auditor General
National Audit Office
17 May 2022



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For further information about the National Audit Office please contact:

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



Aim of this briefing

Introduction

- 1 The purpose of this briefing is to support the Environmental Audit Committee's (the Committee's) scrutiny of government's environmental protection work. It aims to provide the Committee with factual analysis as it considers the impact of significant changes to environmental protection following EU Exit and the Environment Act 2021, and concerns that have been raised about the work of the regulators. During its inquiries into water quality and biodiversity, issues arose about the extent and effectiveness of government's environmental compliance and enforcement work including the response to reported breaches of environmental standards and regulations.^{1,2}
- **2** The briefing gives a factual overview of the framework for environmental compliance and enforcement in England, covering:
- the definition of environmental compliance, its role in regulation and how it relates to other concepts;
- government's overarching environmental objectives and targets and how they are measured;
- the roles and responsibilities of the main bodies responsible for environmental compliance and enforcement;
- what is known about the main bodies responsible for compliance and enforcement, including performance, staffing and spend; and
- recent changes for environmental compliance and enforcement.
- **3** It also includes case examples on compliance and enforcement issues associated with waste crime, sites of special scientific interest and storm overflows.

¹ HC Environmental Audit Committee, *Water quality in rivers*, Fourth Report of Session 2021-22, HC 74, January 2022, available at: https://committees.parliament.uk/publications/8460/documents/88412/default/

² HC Environmental Audit Committee, Biodiversity in the UK: bloom or bust?, First Report of Session 2021-22, HC 136, June 2021, available at: https://committees.parliament.uk/publications/6498/documents/70656/default/

Approach

- **4** This briefing summarises publicly available information and additional data we requested from the Department for Environment, Food & Rural Affairs (Defra), the Environment Agency, Natural England and the Office for Environmental Protection.
- 5 It draws on our *Principles of effective regulation framework* (see Figure 2 on page 7) to highlight the importance of compliance and enforcement within environmental regulation. We have used the principles as a framework for the factual information we set out on government bodies and case examples, and to draw out key issues.³
- 6 The case examples are designed to illustrate the issues we cover using specific areas of environmental protection in which there is strong public interest. They draw on wider published National Audit Office (NAO) work on the environment and provide specific demonstrations of the risks to environmental protection and the importance of effective compliance and enforcement.
- 7 In order to help the Committee build on its previous findings, we have highlighted issues arising within each section of the briefing. These are intended as areas for further consideration by the Committee and can be used to support its future inquiries.

Definition of environmental compliance and enforcement

8 For the purpose of this briefing, we use environmental compliance to mean action to encourage and require compliance with regulations, standards and permits, while environmental enforcement is the action against non-compliance or criminal activity (**Figure 1** overleaf).

Principles of effective regulation

9 Compliance and enforcement activities are important parts of ensuring effective regulation. Our *Principles of effective regulation* guide sets out the broad principles of effective regulation, using a 'learning cycle' for assessing how well regulators and policymakers are applying these principles (**Figure 2** on page 7). Principles that are central to effective compliance and enforcement include: monitoring service provider compliance and incentives; ensuring capacity and capability; ensuring interventions are proportionate, and measuring performance.

Figure 1

Definition of environmental protection, regulation, compliance and enforcement

Environmental protection

In this briefing, we use the term environmental protection to mean maintaining or restoring natural resources such as plants, animals, water, soil and the air. It encompasses government's overall approach to protecting the natural environment, including direct project delivery and setting up environmental regulation systems.

Environmental regulation

Within this sits environmental regulation. Regulation is one tool government uses to achieve its policy aims and is characterised by a set of rules and expected behaviours that people and organisations should follow. It can include the issuing of permits, consents, licences, standards and regulations.

Environmental compliance

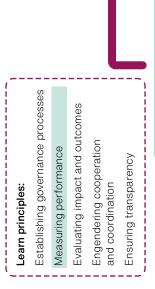
Environmental compliance is a subset of environmental regulation, which is action to encourage and require compliance with regulations, standards and permits. For example, this could include monitoring, inspections, guidance and support.

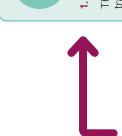
Environmental enforcement

Environmental enforcement is action against the non-compliant and potential criminals operating in the market, which can include civil penalties and prosecutions.

Source: National Audit Office analysis of publicly available information

Principles of effective regulation Figure 2











Determining the degree of regulatory independence

Defining the overall purpose of regulation

Design principles:

Setting regulatory objectives

Ensuring accountability

Designing organisational structure and culture

Determining a funding model

Deciding on powers

These principles are to help into the design of an overall and purpose of regulation translate the policy intent regulatory framework.



2. Analyse

regulated, and identify and assess analyse the market or issue being where problems are occurring that may require intervention. regulators and policymakers These principles are to help

future by learning from experience

and working in a joined-up way

with other organisations.

maximise their effectiveness in

regulators and policymakers These principles are to help

4. Learn



Analyse principles:

Embedding the citizen perspective Using information and data

Engaging with stakeholders Monitoring service provider compliance and incentives

Ensuring capacity and capability

Adopting a forward-looking approach



3. Intervene

impact they might have, prioritise actions, and consider how best problems, these principles are to help them understand what Where regulators identify to respond.



Embedding consistency and predictability Ensuring interventions are proportionate

Being responsive

Drawing on a range of regulatory tools

Developing a theory of change

Intervene principles:

Prioritising interventions

1 Highlighted principles are central to effective compliance and enforcement.

Source: National Audit Office, Principles of effective regulation, May 2021

Government's overarching environmental objectives and targets

10 Government wants this to be the first generation to leave the natural environment of England in a better state than it inherited and to help protect and improve the global environment. In order to do so, it has committed to long term cross-government goals (**Figure 3**).

How these are measured

- An effective environmental performance framework is essential for government to understand how it is performing against its objectives and to allow it to make informed decisions.
- 12 Government collects and reports a wide range of environmental performance metrics. These are a mixture of metrics used by government and stakeholders to assess progress against domestic policy and to report against international commitments. The four main sets of metrics cover reporting against:
- Defra's Outcome Indicator Framework;⁴
- the United Nations Sustainable Development Goals;⁵
- international conventions on climate change and biodiversity; and
- the national Environmental Accounts, a set of supplementary accounts to the UK's National Accounts that measure the contribution of the environment to society, and the impact of economic activity on the environment.⁶

⁴ Department for Environment, Food & Rural Affairs, *Outcome Indicator Framework for the 25 Year Environment Plan*, 2021, available at: https://oifdata.defra.gov.uk/

⁵ There are 17 Sustainable Development Goals, adopted by all United Nations member states in 2015, covering issues such as climate action, life on land and affordable and clean energy. The Sustainable Development Goals, are available at: https://sdgs.un.org/goals

⁶ Office for National Statistics, Environmental Accounts, available at: www.ons.gov.uk/economy/environmentalaccounts

Government's overarching environmental objectives and targets

Environment Act

In 2021 the Environment Act set the overarching environmental legislation and required the government to set new long-term legally binding environmental improvement targets in four priority areas:









Air quality

Biodiversity

Water

Resource efficiency and waste reduction

25 Year Environment Plan

The Environment Act requires the government to publish an Environmental Improvement Plan (EIP). In January 2018, government published its 25 Year Environment Plan (the Plan) which was adopted as the first EIP. The plan set 10 overarching environmental goals:

- Clean air 🔫
- Thriving plants and wildlife 🗯





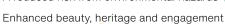
Clean and plentiful water 🤌

with environment &

- Using resources more sustainably and efficiently



- Minimising waste
- A reduced risk from environmental hazards 📵



Mitigating and adapting to climate change (##





Managing exposure to chemicals

Net zero

In 2019, the government and the devolved administrations committed to reducing greenhouse gas emissions to net zero by 2050.

Net zero strategy (2021)

In 2021 government also published its net zero strategy, which sets out policies and proposals for decarbonising all sectors of the UK economy by 2050.

COP26

The COP26 Glasgow Climate Pact in 2021 also saw government pledge to fulfil its global role on climate change through:

- mitigation reducing emissions;
- adaptation helping those already impacted by climate change;
- finance enabling countries to deliver on their climate goals; and
- collaboration working together to deliver even greater action.

Other strategies

Government has published strategies to set out its path to achieving its environmental objectives on specific topics including:

- Clean air strategy (2019)
- Resources and waste strategy (2018)

Source: National Audit Office analysis of publicly available information

- 13 The Outcome Indicator Framework contains 66 indicators relating to the 10 goals within the 25 Year Environment Plan. It pulls together information across government and includes a number of compliance and enforcement-related indicators, such as serious pollution incidents in water, extent and condition of protected sites and waste crime, which we will discuss in the case examples below. While the Framework is not in itself an official statistic, Defra states that it follows the UK's code of practice for statistics where possible in its production.
- 14 Defra publishes an annual progress report against the 25 Year Environment Plan goals informed by the Outcome Indicator Framework and other evidence. The latest report covering April 2020 to March 2021 assessed performance on one third of 27 outcomes listed as "mostly desirable", with 11 showing a "mixed picture" and performance "mostly undesirable" on seven. The newly established Office for Environmental Protection has responsibility for monitoring, critically assessing and reporting on government's progress in improving the natural environment and published its first review of progress in May 2022.

Issues arising on environmental objectives

The Committee may wish to explore the following areas:

- Defra's oversight of the environmental compliance and enforcement work undertaken by public bodies and whether it understands the implications of their performance on its 25 year aims.
- How Defra defines and assesses performance against the 25 Year Environment Plan, using the Outcome Indicator Framework and other evidence.
- How Defra coordinates work across bodies which are working to shared goals.

⁷ HM Government, 25 Year Environment Plan Annual Progress Report, October 2021, available at: https://assets. publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1032472/25yep-progress-report-2021.pdf

The main government bodies responsible for environmental compliance and enforcement

- 15 Many areas of regulation involve one or more main regulators with specific powers and duties to enforce or otherwise influence compliance with rules and standards. These regulators can be at national and local level (**Figure 4** overleaf). Sometimes there is not a clear boundary between regulators' remits, requiring them to work closely together. Some public bodies that are not generally considered regulators also deliver regulatory functions, such as local authorities.
- **16** The following pages give more information about the role, performance, staffing, and spend on environmental compliance of the Environment Agency, Natural England and Office for Environmental Protection.

Figure 4

The main environmental compliance and enforcement responsibilities by public body

The Office for Environmental Protection holds government and public bodies to account for their compliance with environmental law.

Department for Environment, Food & Rural Affairs has the overall policy responsibility for government's environmental goals. It relies on other organisations to monitor and enforce compliance with environmental regulation and in some cases the environmental regulation itself is introduced and overseen by other government departments.

Environment Agency is the environmental regulator in England responsible for major industry and waste, treatment of contaminated land, water quality and resources, fisheries, inland river, estuary and harbour navigations, and conservation and ecology.

Natural England is the government's adviser on the natural environment, it has regulatory functions and has the powers to enforce laws that protect wildlife and the natural environment, particularly protected sites and species.

Other environmental compliance and enforcement responsibilities by public body include:

- Marine Management Organisation is responsible for licensing activities in the seas around England to protect and enhance the marine environment.
- Rural Payments Agency administers subsidies to farmers, traders and landowners to support rural communities, as well as licensing the agri-food sector and regulating markets for dairy and farm produce.
- Health and Safety Executive is the regulator for work related health and safety, and is responsible
 for regulating chemicals (including pesticides).
- Forestry Commission is responsible for protecting, expanding and promoting the sustainable management of woodlands, including licensing tree-felling.
- Ofwat conducts the economic regulation of water and wastewater companies. Through the price
 review process, it seeks to allow efficient funding for investment in environmental initiatives and
 incentivises companies to deliver environmental improvements. It also takes regulatory action in
 relation to breaches of its licence conditions and statutory obligations.
- Local Authority Environmental Health and Trading Standards Services ensure compliance with a range of environmental regulations in their local areas, for example on compliance with minimum energy efficiency standards and single use plastic bag charging.

Source: National Audit Office analysis of publicly available information

Environment Agency

Role and reported overall performance on environmental compliance

17 The Environment Agency has compliance and enforcement responsibilities for a range of sectors including agriculture, industry and waste management. These contribute to two of its three long term goals: "healthy air, land and water"; and "green growth and a sustainable future". These goals, and corresponding five-year aims, are set out in *EA2025*, which details the Environment Agency's priorities from 2020-25.8 In its *Regulating for people, the environment and growth 2020*, the Environment Agency reported high (97% or more) rates of compliance at industrial sites and in the energy efficiency and emissions trading schemes it administers.9 However it also reported that despite the progress made, the overall quality of the environment is not where it, its partners, or society wants it to be (Figure 5 overleaf).

Compliance and enforcement activity

- 18 The Environment Agency records its compliance and enforcement activity as outputs, which can be a range of activities, for example, issuing guidance, sampling water quality, site audits and inspections, warning letters and prosecution (Figure 6 on page 15). The overwhelming majority of these outputs have remained compliance related. Between 2015 and 2021, most (81%) of the Environment Agency's compliance outputs related to its aim that 'by 2025 rivers, lakes, groundwater and coasts will have better water quality and will be better places for people and wildlife', and 10% to its aim that 'by 2025 we will have cut waste crime and helped develop a circular economy'.
- 19 The Environment Agency has published an enforcement and sanctions policy, in which it commits to making sure its enforcement response is proportionate and appropriate to each situation. It considers that interventions such as enforcement notices and civil sanctions are often more effective than prosecution.
- 20 The Environment Agency told us the COVID-19 pandemic affected its compliance and enforcement work in 2020 and in 2021 by restricting physical inspections, requiring it to rely on other aspects of its regulatory approach such as gathering intelligence, analysing data and remote audits.

⁸ Environment Agency, *EA 2025*, July 2020, available at: www.gov.uk/government/publications/environment-agency-ea2025-creating-a-better-place

⁹ Environment Agency, Regulating for people, the environment and growth, 2020, October 2021, available at: www.gov.uk/government/publications/regulating-for-people-the-environment-and-growth-2020

Figure 5

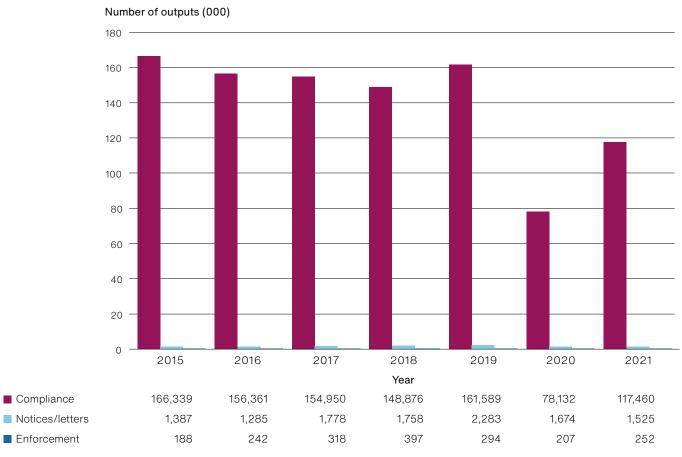
Environment Agency's reported performance on compliance and enforcement activity that directly supports its ability to achieve its goals in 2020

Goal	Five-year aims	Environment Agency's reporting of performance in 2020
Healthy air, land and water	By 2025 air will be cleaner and healthier	Between 2010 and 2020 emissions of nitrogen oxides from the 13,708 sites that the Environment Agency regulates have decreased by 69%, sulphur oxides by 86% and small particulates by 47%.
		Based on a five-year moving average, the permit compliance rate at industrial sites has remained at 97% since 2013.
	By 2025 rivers, lakes, groundwater and coasts will have better water quality and will be better places for people and wildlife	In 2020, 86% of river water bodies had not reached good ecological status.
		The Environment Agency removed the risk of the over-abstraction of more than 600 billion litres of water from the environment, through changing, reviewing and revoking abstraction licences.
Green growth and a sustainable future	By 2025 we will achieve cleaner, greener growth by supporting businesses and communities to make good choices, through our roles as a regulator, adviser and operator	Since 2010 emissions of greenhouse gases from the 13,708 sites that the Environment Agency regulates under the Environmental Permitting Regulations have decreased by 50%.
		Since 2010 methane emissions from the sites it regulates under the Environmental Permitting Regulations have decreased by 45%.
		The Environment Agency achieved 98% compliance in the five major energy efficiency and emissions trading schemes it administers. These cover more than 40% of the UK's carbon emissions from industry, business and the public sector.
	By 2025 we will have cut waste crime and helped develop a circular economy	The Environment Agency recognises there is progress still to be made on waste crime, and this area of its work is discussed in more detail in the case example section of this briefing (see pages 29 to 34).

This information is drawn from the Environment Agency's latest report Regulating for people, the environment and growth, 2020. The Environment Agency reported data for the 2020 calendar year, or for 2020-21 where information was only available by financial year.

Source: National Audit Office analysis of Environment Agency documents

Figure 6
Environment Agency annual outputs between 2015 and 2021, by category



Note

Source: National Audit Office analysis of Environment Agency data

Spend on compliance and enforcement

21 The Environment Agency uses fees and charges from permits and licence holders to fund compliance activity. From April 2018 the Environment Agency implemented a revised charging scheme following a review of its fees and charges, which raised income for compliance activity and overheads to £338 million in 2020-21 from £294 million in 2015-16.10

¹ Data are reported in calendar years.

¹⁰ Fees and charges income funds Environment Agency overheads such as human resources and estate costs as well as compliance activity.

- 22 Enforcement activities cannot be cross-subsidised from charges that the Environment Agency makes for permits and licences. Instead, it allocates resources to enforcement from its grant-in-aid funding for environmental protection. This grant-in-aid funding fell by 80% between 2010-11 and 2020-21. Furthermore, the amount of grant-in-aid that is ring-fenced for particular projects, including for non-enforcement activity, has grown.
- 23 Between 2010-11 and 2020-21 the amount of grant-in-aid that the Environment Agency allocated to generic enforcement activity fell from £11.6 million to £7 million. This includes enforcement associated with the regulation of industrial facilities, storm overflows and fisheries, as well as in response to serious pollution incidents. Over the same period ringfenced funding for enforcement to tackle waste crime rose to £10 million (Figure 7). From 2022-23, the Agency's previously ring-fenced funding for waste crime will be incorporated into its core funding.

Staffing for compliance and enforcement

The Environment Agency employed 2,711 full-time-equivalent (FTE) staff for compliance activities in March 2022 and 294 on enforcement roles. On average, the Environment Agency employs one member of enforcement staff to 10 compliance staff (Figure 8 on page 18). The number of vacancies has fluctuated over the past six years, with vacancies as a percentage of total compliance and enforcement staff reaching a 10% high in 2019, falling to 2% in 2021 and increasing again to 6% in 2022.

Issues arising on the Environment Agency

The Committee may wish to explore the following areas:

- The amount of grant-in-aid allocated for enforcement and the rationale for this
- How it has responded to its acknowledgement that its progress on the quality of the environment falls short of expectations.
- How it ensures its fees and charges income is reflective of the level of risk in its compliance work.
- How Defra ensures the Environment Agency has the appropriate regulatory tools and funding to provide effective environmental compliance and enforcement.
- How its changing use of regulatory tools and approaches has impacted compliance and enforcement with environmental regulation.
- The Environment Agency and Defra's understanding of the skills and staffing needed to deliver their compliance and enforcement work, both now and in the future.

2020-21

2019-20

2018-19

2017-18

16.0

16.0

18.5

24.5

10.0

10.0

10.0 15.0

6.4

15.6

23.0

28.0

Environmental compliance and enforcement Environment Agency 17

Grant-in-aid funding to the Environment Agency for environmental protection, 2010-11 to 2020-21 Figure 7

Grant-in-aid (£m)



- Ring-fenced enforcement funding for waste crime
- Generic enforcement funding (allocated from core grant-in-aid)
- Other ring-fenced funding (non-enforcement)
- Other grant-in-aid funding (not allocated for enforcement)

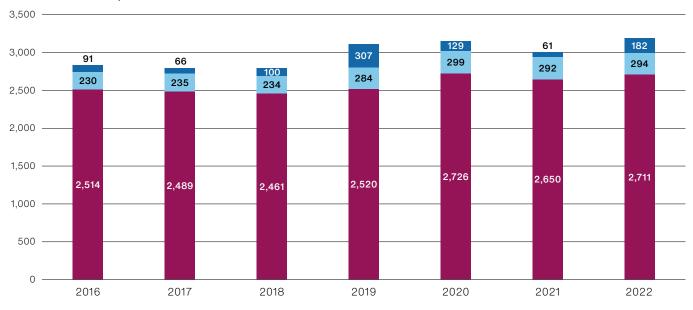
Notes

- The Environment Agency has enforcement responsibilities for a range of sectors including agriculture, industry and waste management. This includes enforcement associated with the regulation of industrial facilities, storm overflows and fisheries, as well as in response to serious pollution incidents and waste crime.
- Figures are in nominal terms. N
- This grant-in-aid funding is for the Environment Agency's environment and business Directorate. The Environment Agency also receives grant-in-aid associated with its flood and coastal risk management

Source: National Audit Office analysis of Environment Agency data

Environment Agency compliance and enforcement activity full-time equivalent staffing profile, 2016 to 2022

Number of full-time equivalent staff



■ Compliance

Enforcement

Vacancies

Note

1 The numbers given are at 31 March for each year.

Source: National Audit Office analysis of Environment Agency data

Natural England

Role on environmental compliance

25 Natural England has compliance and enforcement responsibilities with respect to sites of special scientific interest (see case example section of this briefing), licensing of work that could affect wildlife and habitats, pesticide poisoning to animals, complaints relating to weeds, and with respect to regulations relating to environmental damage, heather and grass burning, and environmental impact assessments of changes to rural land use.

Compliance and enforcement activity

- 26 Until 2017-18 Natural England produced an annual report on its enforcement activity, that included data on complaints and queries it had received about breaches of relevant regulations, as well as trends in the full range of enforcement action it had taken including on investigations, enforcement notices and prosecutions. In 2020 Natural England published a register of enforcement action, but this only covers data on civil sanctions, enforcement undertakings and prosecutions. The register was last updated in September 2021 and includes data going back to 2007.
- 27 Natural England provided us with an update of the data included in its previously published annual enforcement reports, which showed that in 2020-21 it:
- found 276 breaches of species licences;
- identified 184 poisoning activities under the Wildlife Incident Investigation Scheme; and

in 2021 it:

- undertook seven inspections and issued 15 enforcement notices with respect to injurious weeds; and
- accepted two enforcement undertakings and carried out a prosecution against the Environmental Impact Assessment (Agriculture) Regulations.

Staffing and spend on compliance and enforcement

- 28 Over the past six years, the compliance and enforcement staffing profile at Natural England has fluctuated as a result of funding changes and organisational restructure. Natural England conducted a review of enforcement in 2017-18, which found that 14 FTE was recorded against specific items of enforcement casework across the organisation in the previous financial year. Following this review, it formed a national enforcement and compliance team which comprised 22 FTE staff in 2021-22. Natural England was unable to provide us with data on target staff complement for this team over this period.
- 29 A wider group of staff at Natural England, beyond this core team, also spend some of their time on compliance and enforcement activity such as monitoring, inspections and issuing warning letters. Based on time-recording data, Natural England estimates that total staff time for enforcement and compliance activities such as monitoring, investigations, and issuing warning letters represented around 81 FTE staff in 2018-19, and grew to around 90 FTE staff in 2021-22. Natural England estimates that an additional 217 FTE staff time was spent in 2021-22 on wider regulatory activities such as issuing permits and licences, or dealing with consents and assents for permitted activity. These are estimates of staff time and not precise data, because Natural England's time-recording codes do not consistently differentiate between compliance and enforcement activity and other types of work. Similarly, Natural England told us that it considers the increase in staff time reflects an increase in the amount of grant-in-aid spent on compliance and enforcement activity, but that it does not have sufficiently granular data to quantify this increase.

Issues arising on Natural England

The Committee may wish to explore the following areas:

- How the organisation can be held accountable for its enforcement activity without publishing data on its work and data on spend or staffing requirements.
- Why it stopped publishing annual information on its enforcement activity (last published in 2017-18).
- How Defra ensures it provides the appropriate regulatory tools and funding to provide effective environmental compliance and enforcement.
- How its changing use of regulatory tools and approaches has impacted compliance and enforcement with environmental regulation.
- Natural England and Defra's understanding of the skills and staffing needed to deliver their compliance and enforcement work, both now and in the future.

Office for Environmental Protection

Role and overall performance

- **30** The Office for Environmental Protection (OEP) is a new public body established by the Environment Act 2021. It has a duty to identify and respond to serious failures to comply with environmental law by public bodies. It has powers to conduct investigations and commence legal proceedings when needed.
- **31** In its draft strategy, it outlines four strategic objectives, including "improved compliance with environmental law", and has committed to developing a performance measure framework in due course.

Funding¹¹

32 Funding for the OEP is provided through ringfenced allocation by Defra for the current three-year Spending Review period. The budget is for £11.5 million in 2022-23, £7.25 million in 2023-2024; and £7.4 million to £7.7 million for the three subsequent years, with the option for it to bid for more funds. These baseline allocations will increase to allow for inflation. This does not include the Northern Ireland contribution to the OEP's budget which has not yet been confirmed.

Staffing

- **33** In its initial phase, the OEP expects to have between 50 and 60 staff across a range of functions, including technical staff, a complaints and investigation team, a monitoring team, an insights and analysis team and a legal team.
- **34** It plans to use multidisciplinary teams on its compliance and enforcement work, driven by the nature of the issue.

¹¹ The Office for Environmental Protection has not begun compliance and enforcement activity and therefore we were unable to report on its spend.

How environmental compliance is changing

- There are a number of recent and proposed changes to the environmental compliance landscape as a result of the UK's exit from the European Union, the 2021 Environment Act, and wider developments.
- 36 A key change to environmental compliance and enforcement responsibilities resulting from EU Exit is that the Rural Payments Agency will be responsible for compliance inspections for the Sustainable Farming Incentive (SFI). This scheme will pay farmers to undertake certain actions that will contribute to environmental protection and enhancement. The SFI is part of government's Environmental Land Management Scheme which will become government's primary mechanism for distributing funding previously paid under the EU's Common Agricultural Policy.
- 37 Following the Environment Act 2021, government has secured legislative powers to introduce a number of major new environmental schemes and initiatives, which will set new environmental requirements for particular organisations or activities, and necessitate new responsibilities for monitoring, compliance and enforcement against these requirements. In particular:
- "biodiversity net gain", will require developments such as house building to leave the natural environment in a measurably better state than before work started on the development.¹² Government issued a consultation on its proposed arrangements for biodiversity net gain, which notes that planning authorities will need sufficient capacity and expertise to enforce the biodiversity net gain requirements, alongside the right powers, policy and guidance.
- extended producer responsibility for packaging (EPRP) will require producers to pay the full net costs of managing packaging which arises as waste in households and is disposed of in street bins managed by local authorities, which government estimates could involve total payments of around £1.7 billion a year.¹³ The Environment Agency will be the primary regulator for this scheme in England, using its existing powers to monitor, audit and use civil and criminal penalties to drive compliance and tackle non-compliance.

¹² The Environment Act's biodiversity net gain provisions involve: for development for which planning permission is granted under the Town and Country Planning Act 1990, a new planning condition for net gain that must be met before development may commence; and for Nationally Significant Infrastructure Projects consented under the Planning Act 2008, a new requirement to meet a biodiversity net gain objective. This will take effect after the government has published a biodiversity gain statement, or statements, setting out the objective and how the requirement is to be met, including transitional arrangements.

¹³ Not all of these payments are new costs, as packaging producers already pay towards the cost of recycling through the Packaging Recycling Obligations.

- **38** Other changes under consideration include:
- the Competition and Markets Authority issued the Green Claims Code in 2021 to support businesses to ensure their environmental claims comply with the law. 14 It committed to carry out a compliance review in 2022 and will take appropriate action where there is evidence of breaches of consumer protection law.
- the Financial Conduct Authority (FCA) will consult in summer 2022 on proposals to implement the Sustainability Disclosure Requirements set out in government's Greening Finance: A Roadmap to Sustainable Investing policy paper in October 2021.15 The disclosures will require FCA-regulated firms to adhere to common standards when classifying and labelling financial products in order to hold firms to account for their sustainability claims.
- Defra launched a consultation on the Nature Recovery Green Paper: Protected Sites and Species in March 2022. It looks specifically to address existing licensing regimes and enforcement toolkits.¹⁶

¹⁴ Competition and Markets Authority, Making environmental claims on goods and services, September 2021, available at: www.gov.uk/government/publications/green-claims-code-making-environmental-claims/environmentalclaims-on-goods-and-services

¹⁵ HM Treasury, Greening Finance: A Roadmap to Sustainable Investing, October 2021, available at: www.gov.uk/ government/publications/greening-finance-a-roadmap-to-sustainable-investing

¹⁶ Department for Environment, Food & Rural Affairs, Nature Recovery Green Paper: Protected Sites and Species, March 2022, available at: https://consult.defra.gov.uk/nature-recovery-green-paper/nature-recovery-green-paper/

Case examples

Case example 1: Sites of special scientific interest (SSSI)

Issues arising on SSSIs

The Committee may wish to explore the following areas:

- Whether Natural England has sufficient assurance over the current condition of SSSIs, given it lacks data on how regularly it has inspected each site.
- Natural England's approach to determining an appropriate level and balance of type of enforcement action on SSSIs, and in particular why enforcement actions fell substantially between 2013-14 and 2020-21 (from 151 to 39).
- Natural England's rationale for increasing its staffing for monitoring of SSSIs between 2018-19 and 2021-22 (from 12 to 49 FTE), and how it assesses the effectiveness of this work.
- Natural England's plans to improve the condition of SSSIs, given that government did not meet its 2020 targets for their condition.

About sites of special scientific interest

39 An SSSI is an area of land notified by a conservation body as being of "special scientific interest by reason of its flora, fauna, or geological or physiographical features". SSSIs are the most common statutory nature conservation designation in England. There are more than 4,100 SSSIs in England, covering around 8% of the land area.

Significance for achieving government's environmental objectives

40 In its 25 Year Environment Plan published in 2018, government committed to protecting and enhancing England's biodiversity on land, water and sea, including restoring 75% of the protected land and freshwater SSSIs to favourable condition.¹⁷ In 2011, Defra produced a strategy for England's wildlife and ecosystem services with the ambition of "better wildlife habitats with 90% of priority habitats in favourable or recovering condition and at least 50% of SSSIs in favourable condition, while maintaining at least 95% in favourable or recovering condition" by 2020.¹⁸

¹⁷ HM Government, A Green Future: Our 25 Year Plan to Improve the Environment, January 2018, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/693158/25-year-environment-plan.pdf

¹⁸ Department for Environment, Food & Rural Affairs, *Biodiversity 2020: A strategy for England's wildlife and ecosystem services*, August 2011, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/69446/pb13583-biodiversity-strategy-2020-111111.pdf

Roles and responsibilities

41 Natural England is responsible for: designating SSSIs; consenting to activities which may impact features of special interest; providing advice to SSSI owners and managers; providing advice on the impacts of proposals which need other permissions; assessing and monitoring the condition of SSSIs; investigating reports of damage to sites; and assisting in the enforcement of legal measures to protect sites and prosecute offenders.

The main environmental regulations and standards that apply

42 Owners and occupiers of SSSI-designated land must receive consent from Natural England before certain activities can be carried out on the land. These activities may be considered necessary for the long-term sustainable management of the site. If the features of special interest on the SSSI are deteriorating from neglect or poor management, Natural England can put a management scheme in place. If the decline is a result of wilful or reckless damage to the site, then it may take enforcement measures. If the owner fails to carry out the work established in the management scheme, a management notice can be issued, and if work is not carried out within two months of Natural England's deadline, then the owner is breaking the law and it is open to enforcement action.

Spending and staffing on enforcement and compliance for SSSIs

- 43 Natural England estimates that staff time on monitoring and enforcement of SSSIs rose from around 12 FTE staff in 2018-19 to 49 FTE in 2021-22. This estimate focuses on staff time for enforcement and compliance activities such as monitoring, investigations, and issuing warning letters. It estimates that a total of 131 FTE staff time was spent in 2021-22 on wider regulatory activities such as issuing permits and licences, or dealing with consents and assents for permitted activity. It is not possible to give a precise figure for staff time because Natural England's time-recording codes do not consistently differentiate between compliance and enforcement activity and other types of work.
- **44** In 2021-22 Natural England received an additional £63 million funding from Defra, some of which was used to re-establish a nationally co-ordinated programme of SSSI monitoring and evaluation. It could not provide us with information on staff and spend in this area over a longer time-period.
- **45** Natural England also pays external contractors to undertake monitoring work on SSSIs, which increased from £205,000 in 2019-20 to £713,000 in 2021-22.

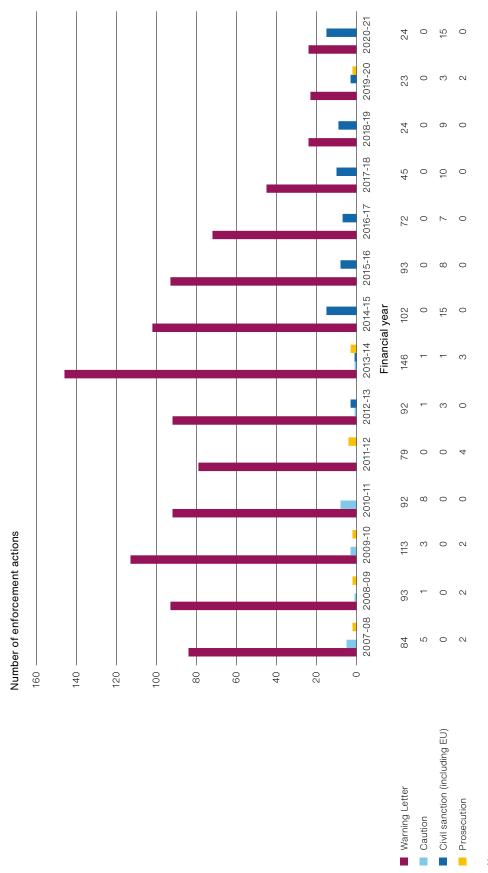
Scale of compliance and enforcement activity

- 46 In October 2019, the UK statutory bodies agreed new common standards which recognised that there has been a reduction in resources available for protected area monitoring and removed a previous expectation that sites would be assessed every six years. Natural England moved away from this six-year cycle in response to a reduced capacity for monitoring and a shift to a more risk-based process. It was unable to provide data on the extent of the shortfall against the six-year cycle.
- 47 Natural England told us that it has agreed memoranda of understanding with a few organisations to support them in gathering their own data on the SSSIs they own, which Natural England can then use to make a condition assessment. As part of our 2020 *Environmental sustainability overview* of the Ministry of Defence, which owns 3.5% of all British SSSIs, we found that it had been concerned about the resource implications of carrying out detailed site condition surveys in the absence of regular assessments by Natural England.¹⁹ Natural England told us it is developing a targeted long-term monitoring programme for its SSSIs and plans to work with the Ministry of Defence and other major landowners to understand how this might best be implemented on their land.
- **48** Natural England took enforcement action in response to 39 offences in 2020-21, a continued significant decline from the peak during the financial year 2013-14 (**Figure 9**).
- **49** The most common source of criminal activity on these sites from 2008 to 2021 has been due to vehicles, closely followed by construction and dumping.

Performance on improving the condition of SSSIs

50 Over the past five years, there has been very little change in the area of SSSIs categorised as in favourable condition, from 38.5% in 2016 to 38.4% in 2021 (**Figure 10** on page 28). This falls below the 50% target set out in government's *Biodiversity 2020* strategy.²⁰ The overall proportion of SSSIs in favourable or unfavourable recovering condition remained above the 95% target from 2011 to 2016 but has since fallen year-on-year to 91.4% in 2021.

Enforcement actions related to sites of special scientific interest (SSSIs), 2007-08 to 2020-21 Figure 9

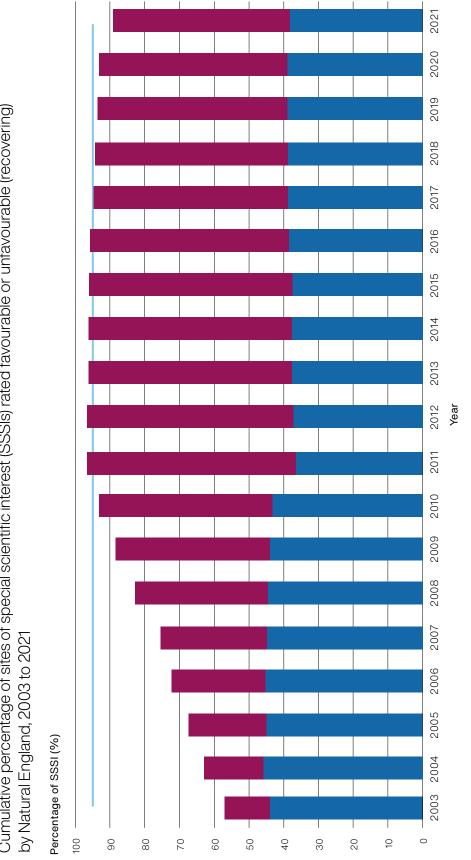


Note

1 Warning letters, cautions, civil sanctions and prosecutions are increasingly severe enforcement actions and thus, an offence which receives a warning letter followed by a caution or civil sanction will be counted twice in this graph – once for each action.

Source: National Audit Office analysis of Natural England data

Cumulative percentage of sites of special scientific interest (SSSIs) rated favourable or unfavourable (recovering) Figure 10



■ Unfavourable (recovering condition)

- Favourable condition
- Target (95%)

Note

Percentages do not sum to 100 as SSSIs are categorised into the following four conditions: favourable, unfavourable (recovering condition), unfavourable (necovering condition), and part destroyed or destroyed. Only favourable and unfavourable (recovering condition) categories contribute to the target.

Source: National Audit Office analysis of Natural England data

Case example 2: Waste crime

Issues arising on waste crime

The Committee may wish to explore the following areas:

- How the Environment Agency expects the lifting of the ringfenced enforcement budget will affect performance on waste crime.
- How the Environment Agency balances the type of enforcement actions used to tackle waste crime.
- The Environment Agency's understanding of its effectiveness in tackling serious criminality in the waste sector.
- Whether government should improve its understanding of total spend on tackling waste crime across different organisations.

About waste crime

- 51 'Waste crime' takes many forms, including fly-tipping, illegal dumping or burning of waste; deliberate mis-description of waste; operation of illegal waste management sites; and illegal waste export. The Environment Agency's 2021 National Waste Crime Survey found that industry stakeholders perceived waste crime to be widespread, with those from the waste industry estimating that 18% of all waste is illegally managed.
- **52** In the absence of an official estimate of the cost of waste crime to the English economy, the Environment Agency, Defra and HM Treasury use an estimate made by the Environmental Services Association (ESA), the trade body representing the UK's resource and waste management industry, of £924 million in 2018-19.²¹

Significance for achieving government's environmental objectives

53 In its 25-Year Environment Plan, published in 2018, government set the ambition to eliminate waste crime and illegal waste sites within 25 years.²² The government's approach to waste crime over the short to medium term is set out in its Resources and waste strategy, published in December 2018.²³

²¹ Environmental Services Association, Counting the cost of UK waste crime, July 2021, available at: www.eunomia.co.uk/reports-tools/counting-the-cost-of-uk-waste-crime

²² See footnote 17.

²³ HM Government, *Our waste, our resources: a strategy for England*, December 2018, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/765914/resources-waste-strategy-dec-2018.pdf

Roles and responsibilities

54 Defra has policy responsibility for waste, including waste crime, within government. The Environment Agency, an executive non-departmental public body sponsored by Defra, is the principal body responsible for regulating the waste sector. The Environment Agency is responsible for investigating certain types of waste crime and taking action against the perpetrators, including illegal waste sites, illegal dumping (the most serious fly-tipping incidents) and breaches of environmental permits and exemptions. Responsibility for clearing waste ultimately sits with the landowner or land manager. As we have previously reported, local authorities also have powers and duties relating to fly tipping and deal with many smaller incidents. HM Revenue & Customs has responsibility for pursuing the evasion of landfill tax. The Environment Agency works with the police and other partners to investigate and prosecute serious criminality in the waste sector with links to other types of crime.

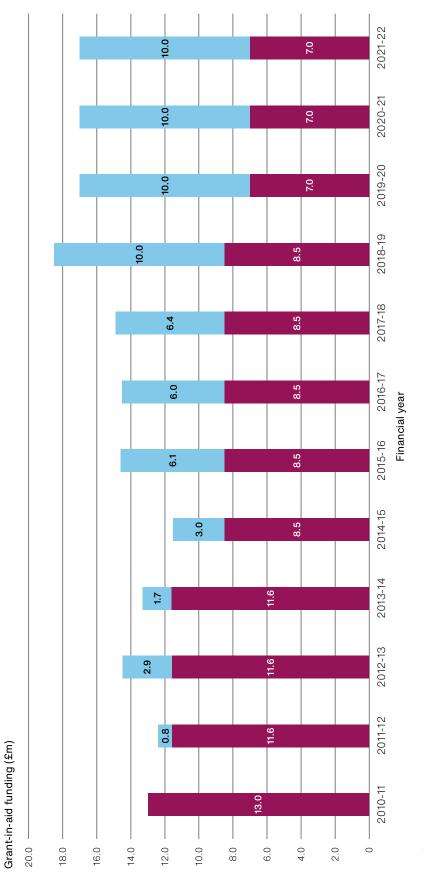
The environmental regulations and standards that apply

55 One of the main regulations that applies to waste crime is the Environmental Protection Act (1990), which created a duty of care for waste which applies to anyone who imports, produces, carries, keeps, treats or disposes of controlled waste. It requires them to take all reasonable steps to keep their waste safe, including ensuring any third parties used are authorised to take it and are able and likely to deal with it or dispose of it lawfully and safely.

Resources and spending

- 56 Since 2011-12, the Agency's core funding for environmental protection, covering waste and other areas of work, has fallen, but over this period government provided it with ring-fenced grants for tackling waste crime. The Agency's total funding allocated for enforcement and waste crime rose from around £12 million in 2010-11 to £17 million in 2018-19, (**Figure 11**) remaining at this level in cash terms through to 2021-22.
- 57 The Environment Agency can also draw on funding allocated to wider enforcement for its work on waste crime, although it could not provide a breakdown of how much was used for this purpose. Its wider funding allocated to enforcement has declined over the same period (see Figure 7 on page 17).
- **58** From 2022-23, the Environment Agency's previously ring-fenced funding for waste crime will be incorporated into its core funding. The Environment Agency is exploring options including the use of new powers in the Environment Act 2021 to recharge for waste incidents and implementing charging schemes for upcoming regulatory reforms which cover the cost of enforcement.
- **59** Defra does not collate total spending on tackling waste crime across the many organisations involved, and most have experienced budget reductions since 2010-11.

Environment Agency use of funding for enforcement and waste crime in England, 2010-11 to 2021-22 Figure 11



■ Environmental protection funding allocated to enforcement

Ring-fenced waste crime funding

Notes

1 Ring-fenced waste crime funding includes a range of ring-fenced grants. For example, the Waste Enforcement Programme provided £23 million of funding over four years (2016-17 to 2019-20) to tackle illegal waste sites, illegal exports and the mis-description of waste.

Figures are in nominal terms.

Source: National Audit Office analysis of Environment Agency data

Scale of compliance and enforcement activity

- The Environment Agency completed 11,987 investigations into waste crime between 2014-15 and 2020-21, with most (64%) of these related to illegal waste sites (Figure 12).
- The most common compliance and enforcement actions taken by the Environment Agency in response to waste crime are issuing advice and guidance and sending warning letters. In line with government policy for regulators to take a risk-based and proportionate approach to enforcing compliance, the Environment Agency's policy is to give advice and guidance or issue a warning to bring an offender into compliance where feasible, only moving to more formal sanctions, such as cautions, and potentially criminal proceedings, in more serious cases or where informal approaches have not worked. Over the period 2014-15 to 2020-21, the Environment Agency issued advice and guidance in 52% of investigations into illegal waste sites and in 53% of investigations into breaches of environmental permit conditions. Sending warning letters was the second most common action for both types of crime. The Environment Agency's responses to major incidents of fly-tipping show the same pattern. In contrast, it uses civil sanctions extensively in cases of producer responsibility offences: between 2014-15 and 2020-21, it imposed civil sanctions in 57% of the 334 producer responsibility offence cases where it investigated and took action.
- The number of prosecutions of companies and other organisations per year has fallen from a peak of nearly 800 in 2007-08 to 17 in 2020-21 (Figure 13). The Environment Agency finds criminal prosecutions to be resource-intensive and time-consuming, requiring high evidential standards. It therefore reserves prosecution for cases of blatant criminality.

Figure 12 Environment Agency waste investigations closed between 2014-15 and 2020-21 and associated actions, in England

Crime type	Investigations closed	Number of resultant actions
Illegal waste sites	7,628	4,940
Environmental permit breaches	3,309	1,832
Illegal dumping (the most serious fly-tipping incidents)	665	187
Producer responsibility non-compliance	385	334
Total	11,987	7,293

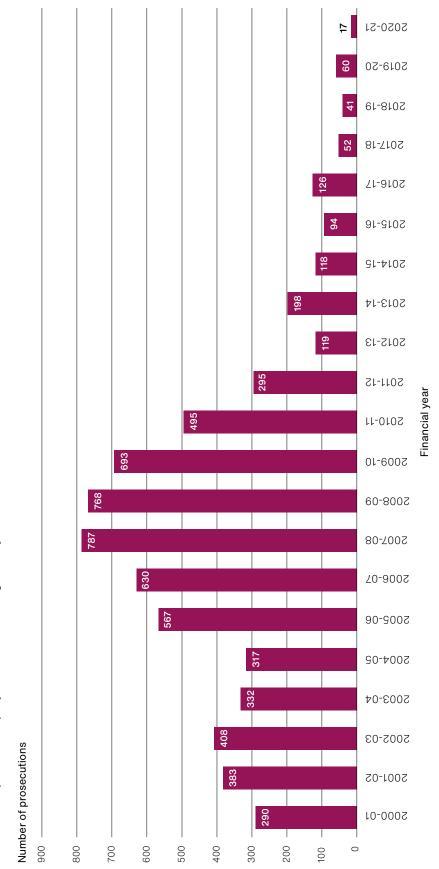
Notes

- Actions included in this count are: advice and guidance, warning letters, legal notices, fixed penalty notices, civil sanctions, cautions and prosecutions.
- Some investigations may involve no relevant actions, and some may involve more than one action.
- Environment Agency published data do not contain the number of incidents that led to an investigation.

Source: National Audit Office analysis of Environment Agency Waste Investigations Report

Number of prosecutions of companies and other organisations undertaken by the Environment Agency in England, 2000-01 to 2020-21 Figure 13

The number of prosecutions per year has decreased significantly since 2007-08



1 Prosecutions are assigned to financial years using the 'date of action' recorded.

Source: National Audit Office analysis of Environment Agency dataset: Environment Agency Prosecutions

² Multiple charges against the same offender are counted individually.

- **63** The average fine associated with successful prosecutions has tended to rise over the same period that the number of prosecutions has fallen, although the smaller numbers involved leads to greater variability by year. The average of the 258 fines in the five years to 2019-20 is £18,123, while the average of the 1,027 fines in the five years to 2014-15 was £4,996. Before 2016-17, the highest single fine in the period was £100,000; from 2016-17 onwards, there have been individual fines of several times this level.
- **64** For further information on government's approach to waste crime, including actions taken by local authorities and the Environment Agency, please refer to our *Investigation into government's actions to combat waste crime in England*.²⁴

Case example 3: Storm overflows

Issues arising on storm overflows

The Committee may wish to explore the following areas:

- How the Environment Agency's enforcement action will be impacted by climate change induced changes to rainfall levels.
- How the Environment Agency ensured monitors have been placed in appropriate locations.
- How the Environment Agency balances the type of enforcement actions used to secure compliance.

About storm overflows

65 During heavy rainfall, the capacity of storm overflow pipes can be exceeded, which means possible inundation of the sewerage system and/or sewage works and the potential to back up and flood people's homes, roads and open spaces unless it is allowed to spill elsewhere. Storm overflows were developed as overflow valves to reduce the risk of sewage backing up during heavy rainfall.

Significance for achieving government's environmental objectives

66 In its 25 Year Environment Plan, government committed to achieving clean and plentiful water. Material spilling from storm overflows bypasses sewage treatment, and can cause damage to the environment if concentrations of pollutants are above standards or objectives set down in legislation.²⁵

²⁴ Comptroller and Auditor General, Investigation into government's actions to combat waste crime in England, Session 2021-22, HC 1149, National Audit Office, April 2022.

²⁵ See footnote 17.

The environmental regulations and standards that apply

67 Storm overflow permits for wastewater treatment works define the volume of storm flow that should receive full treatment at a site. Only once an overflow threshold is reached should flow be diverted to the environment, or at a sewage treatment works into a storm tank of specified capacity. The contents of this tank should then be sent for treatment once inflows reduce unless the ongoing inflow exceeds its capacity. If that is the case, the contents of the tank are permitted to be discharged as a storm overflow. The capacity of these storm tanks and the volume of overflow allowed to be discharged depends on the capacity of the sewer or size of the treatment plant. In January 2021, the environment minister announced that monitoring would be required for all storm overflows, adding requirements to low- and non-amenity sites.

Roles and responsibilities

68 The Environment Agency is primarily responsible for maintaining and improving the quality of fresh, marine, surface and underground waters in England, while policy is set by Defra and Ofwat is responsible for the economic regulation of the privatised water and sewerage industry.

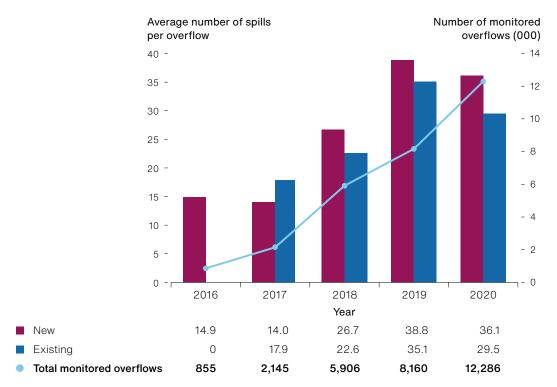
Spending and staffing for compliance and enforcement activity on storm overflows

69 The Environment Agency did not receive any dedicated funding for enforcement on storm overflows, prior to the 2021 Spending Review, in which it was allocated £21 million for water company and agricultural enforcement for the period 2022-23 to 2024-25. From 2010-2011 to 2019-20, the core grant-in-aid from which the Environment Agency's enforcement work is funded reduced by 80%, from £117 million to £23 million (Figure 7 on page 17). The Environment Agency was not able to provide a breakdown of enforcement activity spend or resource utilisation specific to storm overflows.

The scale of compliance and enforcement activity

70 The Environment Agency told us that it is progressively rolling out new technology to monitor spills from storm overflows and that this has substantially increased its ability to secure compliance. The total number of overflows monitored increased from 855 in 2016 to 12,286 in 2020. Figure 14 overleaf shows that newly monitored overflows have spilled more on average than those that already had monitors.

Figure 14 Average number of spills per overflow, comparing newly added monitors each year to existing, 2016 to 2020

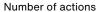


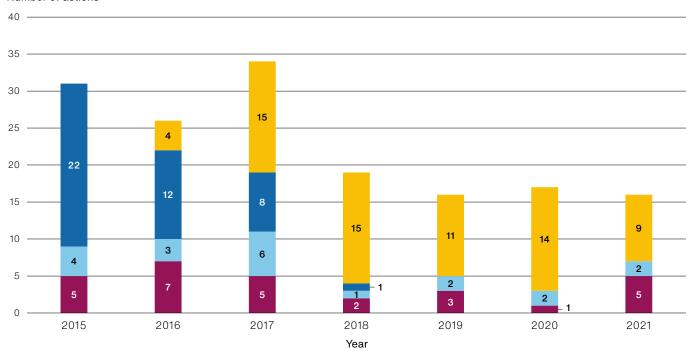
We did not receive returns from the Environment Agency for all companies for 2016 and 2017. It confirmed requirements for data provision in 2018, and all companies submitted returns in this format from 2018 onwards. Prior to this, five (2016) and six (2017) out of nine companies submitted returns in this format, while some of the others submitted returns in different formats that were not comparable.

Source: National Audit Office analysis of Environment Agency data

Where the Environment Agency finds a water company has breached its legal permit, including as a result of storm overflows, it can take enforcement action such as prosecution. From 2016, the Environment Agency began to move more towards pursuing enforcement undertakings from water companies (Figure 15). An enforcement undertaking is a voluntary offer made by an offender to: put right the effects of their offending; put right the impact on third parties; or to make sure the offence cannot happen again. The Environment Agency states that it will consider accepting an enforcement undertaking where it is not in the public interest to prosecute; where the offer addresses the cause and effect of the offending; and/ or where the offer protects, restores or enhances England's natural capital.

Number of enforcement actions against water companies by the Environment Agency, 2015 to 2021





- Number of prosecutions (no storm overflow element)
- Number of prosecutions (storm overflow element)
- Number of cases receiving formal caution
- Number of enforcement undertakings

Notes

- 1 We do not have the breakdown of formal cautions and enforcement undertakings which featured storm overflows.
- 2 Cases against a company sentenced in court on the same day count as one prosecution and if a prosecution has an appeal hearing it is recorded here according to the date of the hearing, not the original prosecution date.

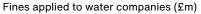
Source: National Audit Office analysis of Environment Agency data

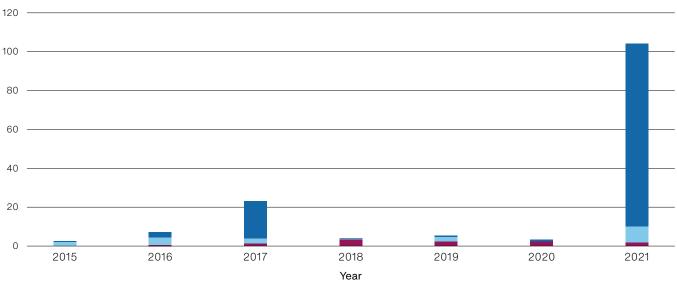
72 Formal cautions moved from being the most common type of action used in 2015 to none being applied between 2019 and 2021. In 2021, the number of enforcement undertakings fell to nine, with an increase in the number of prosecutions increasing to seven.

- **73** Fines applied to water companies had been increasing up until 2017 and then began to fall until 2020 (**Figure 16**). In 2017 the Environment Agency issued a £18.75 million fine to Thames Water and in 2021 a £90 million fine to Southern Water, both relating to the illegal discharge of sewage, some of which was attributed to storm overflows.
- **74** For more information on storm overflows, please refer to our publication *Understanding storm overflows: Exploratory analysis of Environment Agency data.*²⁶

Figure 16

Total value of fines applied to water companies by the Environment Agency, 2015 to 2021





- Enforcement undertakings
- Prosecution (no storm overflow element)
- Prosecution (storm overflow element)

Notes

- 1 Most of the fines from prosecutions in 2017 came from a case brought against Thames Water, totalling £18.75 million and in 2021 from a case against Southern Water totalling £90 million. Both related to the illegal discharge of sewage, some of which is attributed to storm overflows.
- 2 Figures are in nominal terms.

Source: National Audit Office analysis of Environment Agency data

Appendix One

Our evidence base

- 1 In compiling this work we drew on information and data from the Department for Environment, Food & Rural Affairs, Environment Agency, Natural England and Office for Environmental Protection.
- **2** We reviewed published documents and internal management information relating to their role, spend, staffing, compliance and enforcement work, as well as reported performance.
- **3** We also spoke to officials at each organisation to understand the policy landscape within which it operates.
- **4** We conducted semi-structured interviews with the Local Government Association and National Trading Standards to understand their roles within the regulatory regime.
- **5** We did not conduct interviews with other public bodies, but did share extracts with named bodies to check the factual accuracy of any references.
- **6** We drew on other publicly available information on environmental protection, as well as our publications including:
- our 2021 good practice guide, Principles of Effective Regulation (available at: www.nao.org.uk/report/principles-of-effective-regulation);
- Achieving government's long-term environmental goals (available at: www.nao. org.uk/report/achieving-governments-long-term-environmental-goals);
- Environmental metrics: government's approach to monitoring the state
 of the natural environment (available at: www.nao.org.uk/wp-content/
 uploads/2019/01/Environmental-metrics-governments-approach-tomonitoring-the-state-of-the-natural-environment.pdf); and
- The Environmental Land Management Scheme (available at: www.nao.org.uk/report/the-environmental-land-management-scheme).

- 7 We drew on our following publications for the case examples:
- Environmental Sustainability Overview of the Ministry of Defence (available at: www.nao.org.uk/report/environmental-sustainability-overview);
- Understanding storm overflows: Exploratory analysis of Environment Agency data (available at: https://committees.parliament.uk/ writtenevidence/39089/default); and
- Investigation into government's actions to combat waste crime in England (available at: www.nao.org.uk/report/investigation-into-governments-actions-to-combat-waste-crime-in-england).

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