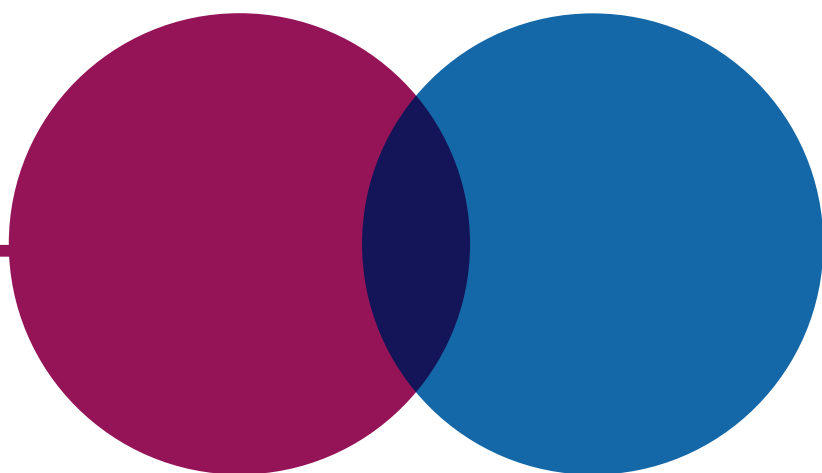




National Audit Office



REPORT

Environmental regulation

Department for Food, Environment & Rural Affairs,
Environment Agency and Natural England

SESSION 2024–2026
9 JANUARY 2026
HC 1483



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National Audit Office

Environmental regulation

Department for Food, Environment & Rural Affairs,
Environment Agency and Natural England

Report by the Comptroller and Auditor General

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of Commons in accordance with Section 9 of the Act

Gareth Davies
Comptroller and Auditor General
National Audit Office

18 December 2025

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Key facts

More than 3,000

pieces of legislation the Department for Environment, Food & Rural Affairs (Defra) and its arm's-length bodies are responsible for, leading to complexity for both regulators and regulated businesses

3

major government reviews in 2025 that substantially affect the way Defra and its arm's-length bodies will approach regulation in future, with no substantial reviews having happened before 2025

149

recommendations made by the three recent major reviews that affect Defra's environmental regulation

There has been mixed progress against the government's environmental goals, to which regulation makes an important contribution

3 out of 10 number of goals in the government's Environmental Improvement Plan that have largely improved in recent years, including cleaner air and reduced exposure to chemicals

9 out of 43 number of government's environmental targets and commitments that are likely to be achieved

Defra and its largest environmental regulators are working to improve the efficiency and effectiveness with which they regulate

£300 million planned investment by Defra between 2026-27 and 2028-29 to modernise its digital infrastructure including tackling legacy IT risks following the 2025 Spending Review

£23 million benefits the Environment Agency reported at the end of 2023-24 resulting from its programme to transform its regulatory services

4 number of 'critical reform' programmes Natural England is working on to improve how it operates and delivers its regulatory, advisory and other services

Summary

1 Environmental regulation aims to protect the environment and nature from pollution and harm, safeguard natural resources and contribute to the health and wellbeing of citizens. Environmental harm can be caused when, for example, by-products of industrial and agricultural processes enter the atmosphere or waterways. Habitats and biodiversity can be harmed by those processes, or by new developments such as housing and infrastructure. Effective and efficient regulation minimises these harms while keeping costs of compliance for regulated businesses proportionate. This requires regulators to target their work on sectors, businesses or regional areas where the greatest risks of harm lie.

2 In 2018, the then government set a long-term vision for the environment, and the 2021 Environment Act set legal targets to protect air and water quality and enhance biodiversity. This Act also created the Office for Environmental Protection (OEP) to hold government to account for its role in protecting and improving the environment. The government's 2023 Environmental Improvement Plan (EIP) then set more specific commitments, highlighting regulation as a tool used in delivering all ten EIP goals. The Department for Environment, Food & Rural Affairs (Defra) published an updated EIP in December 2025.

3 Defra has policy responsibility for most EIP commitments. Defra's two largest environmental regulators, the Environment Agency (EA) and Natural England (NE), monitor and enforce compliance with regulations that contribute to environmental protection and improvement. They do this by, for example, issuing permits to carry out certain activities and monitoring these, providing advice, consent or assent for proposed activities that may affect protected sites, and inspecting sites and businesses to ensure compliance with regulations. Both regulators also have responsibilities other than regulation, including maintaining flood defences (EA) and nature restoration (NE).

4 The government's progress with its environmental aims has so far been mixed. In January 2025, the OEP found the government was likely to achieve only nine of its 43 environmental targets and commitments, and three of the 13 Environment Act targets. In December 2025, alongside its updated EIP, Defra reported that three of the 10 goals have largely improved (including cleaner air and reduced exposure to chemicals), while six goals show a mix of improvements in some indicators and deterioration in others. It also set out delivery plans for how it intends to meet its environmental targets.

5 In 2025, Defra published an independent review of its regulatory landscape by the economist Dan Corry, which found that “our regulatory system is not working as well as it should to support either nature recovery or economic growth”. It highlighted a range of challenges such as the complexity of the regulatory system, which includes more than 3,000 separate pieces of legislation, most of which pre-date the 2021 Environment Act and EIP. Defra has accepted all the review’s recommendations and established a project to implement them. At the same time, it is responding to recommendations from an independent review of the water industry and an internal review of its management and leadership of its arm’s-length bodies.

Scope of this report

6 This report examines the extent to which EA and NE (‘the regulators’) are well placed to maximise the benefits to the environment of how they regulate, while ensuring costs to business are proportionate. Our study focuses on how Defra and the regulators carry out their regulatory duties in practice and sets out recommendations for them to consider as they embark on a period of potentially significant reform.

7 The report covers:

- the regulators’ current ability to target their work efficiently and effectively (Part Two);
- the extent to which Defra and the regulators are taking a strategic, joined-up approach (Part Three); and
- what Defra and the regulators are doing to improve how they regulate (Part Four).

8 The government’s Planning and Infrastructure Bill and its response to Sir Jon Cunliffe’s recommendations for the water sector will likely affect the regulators’ responsibilities. We did not examine or assess these but considered the potential impact of any resulting structural changes and how these relate to plans that Defra and the regulators are developing. We also did not look at EA’s or NE’s non-regulatory responsibilities. A more detailed explanation of our scope is in Appendix One.

Key findings

Targeting regulatory activity

9 The regulators seek to target their regulatory work based on risk but, in some areas, this is limited by how they collect and use data and information.

Regulators need reliable and up-to-date data and intelligence to identify risks that may require investigation or intervention, and to target activities and resources. Recent reviews by Defra and the OEP found a need to better understand where action is needed, and that regulatory activity in 2025 may be shaped more by resource constraints than risk-based decision making. We found several examples of data and intelligence gaps affecting the work of both regulators in recent years. This includes cases where there was a lack of inspection and environmental data that affected EA's ability to detect significant harm, or use of generic or out-of-date information by NE. The regulators told us their ability to access and use the data they need is constrained by outdated IT systems (paragraphs 2.4 to 2.7).

10 Defra and the regulators are working to improve the IT systems and digital technologies that support how they regulate, though progress has been slow and current systems are fragmented. Defra faces one of the most significant legacy IT challenges in government and published a data and digital strategy in 2023. It has been slow to modernise its systems and is only part-way through a programme to do so, for which it received a further £300 million in the 2025 Spending Review to invest between 2026-27 and 2028-29. EA has started making progress updating its own systems and reported a range of efficiency and productivity benefits totalling £23 million at the end of 2023-24, but it has further to go to meet the challenge of fully modernising its regulatory services. NE has received limited funding for digital transformation of its core regulatory services in recent years. These challenges have hampered regulatory delivery and reduced efficiencies for the regulators, who operate multiple systems that do not interact easily with each other. For example, Defra does not have a single database or dataset for farms that its various arm's-length bodies can use jointly to share insight on risks (paragraphs 2.19 to 2.23).

11 The regulators have started taking steps to apply a more consistent approach to monitoring, inspection and enforcement across their area teams.

Regulatory consistency can mean taking a similar approach to similar issues across different areas or businesses, for example in how to conduct inspections or respond when identifying non-compliance. While decisions need to be tailored to the specifics of each situation, a consistent approach can provide clarity and stability to help regulated bodies know what is expected of them and ensure a level playing field between businesses. Inconsistencies between area teams within the regulators have been affected by variable expertise at local level and challenges in providing training or supporting front-line officers. For example, NE no longer has a set operating model for local areas, with some but not all areas having dedicated local officers. In 2024, EA began developing a new framework to bring a more consistent approach within and across the sectors it regulates. This work remains in progress, and its effectiveness will depend on the extent to which the framework is used across its different teams (paragraphs 2.10 to 2.13).

12 Regulated businesses find it too difficult to access and apply advice, guidance and support from Defra and the regulators to make compliance more straightforward.

Enforcement is sometimes necessary, but it is also costly for regulators and should be needed less often when advice, guidance and support help businesses comply in the first place. Environmental regulation is complex, and regulated entities often do not understand what is required of them. In agriculture, for example, the Corry review noted that there are more than 150 pieces of historic regulation on farming alone, while Defra's data show that 69% of farmers are either not confident or only somewhat confident in understanding the regulations that apply to their farms. Stakeholders find that guidance can be difficult to locate and use, with Defra recognising that guidance on gov.uk needs streamlining. The regulators told us that gov.uk limits their ability to publicise specialist information. Regulated entities also feel they do not always get sufficient support to comply with environmental regulations, in part due to reductions in local expertise and knowledge within the regulators (paragraphs 2.14 to 2.18).

13 Defra and the regulators do not systematically evaluate the impact of environmental regulation to inform decisions on what regulatory approach to take.

Regulators need to understand what works and what impact their interventions have in order to decide best how to intervene. We previously found in 2023 that performance information from EA and NE did not enable them or Defra to evaluate their regulatory activities. Since then, Defra has made progress in reducing its backlog of post-implementation reviews, a useful step in assessing the impact of individual regulations. However, neither Defra nor the regulators have evaluated regulatory interventions across regulatory regimes in a more systematic way. EA began taking a more structured approach to assessing the effectiveness of its regulatory activities in April 2024 but did not prioritise this work within constrained resources, and so has made only partial progress. NE has not evaluated the impact of its regulatory work for several years (paragraphs 2.7 to 2.9).

Regulating in a strategic, joined-up way

14 An overly risk-averse culture in Defra and the regulators has restricted some efforts to innovate and embrace new approaches. Well-managed risk taking, including setting clear boundaries and monitoring outcomes, is vital to innovation and identifying efficiencies or new ways of working. The regulators have introduced some new or innovative approaches. For example, in some areas, NE has reformed how it deals with low-risk case work to allow the local team to focus on higher-risk work. EA has set out and regularly updates when it will not enforce the need for an environmental permit because – based on current evidence – environmental risk is low. The regulators have also started exercises to better understand and change their approach to risk. However, Defra and the regulators typically take a cautious and risk-averse approach, in part due to the potential for legal challenge through judicial reviews. The regulators also lack clarity from Defra on its risk appetite and the support it will give if risks materialise (paragraphs 3.7 to 3.11).

15 Defra’s approach to environmental regulation has largely been reactive, rather than based on a clear strategy and evidence of what is needed. Defra’s regulatory approach has tended to focus on short-term priorities or high-profile issues, including recent increases in farm and water company inspections and new powers for tackling waste crime. Previous decisions, such as reducing local officers in NE or cutting numbers of certain types of inspections in EA, did not always adequately consider the whole system and total costs of the changes, including for remedial clean-up activities (paragraphs 3.12, 3.14 and 3.15).

16 The lack of a clear strategic approach has led to Defra being slow to act when the regulators suggest regulatory changes or system improvements that would produce better outcomes or cut costs. The regulators told us Defra can sometimes be slow or unresponsive to proposals to improve the efficiency and effectiveness of environmental regulation. For example, the regulators have suggested specific regulatory reforms or expansions, digital portals and improved guidance. Consultations and commitments by Defra to implement reforms have not always resulted in timely, substantial actions to address the issues raised. Where helpful legislative changes have been introduced, these have also often been limited to the specific high-profile issue, missing opportunities to make similar improvements across sectors (paragraphs 3.12 and 3.14 to 3.18).

17 The regulators have introduced some joint-working projects and found benefits from doing so, but they have not managed to roll this approach out more widely.

EA and NE – and other regulatory bodies – have some similar areas of regulatory responsibility. For example, both have responsibilities related to water quality within sites of special scientific interest (SSSIs), where EA is responsible for regulation in relation to water, but NE provides advice on SSSI requirements. They have applied some joint-working arrangements effectively, including projects that reduced burdens or complexity both for regulators and the regulated. The regulators told us there are structural or systemic barriers to implementing coordinated approaches more widely, including legislative requirements, data protection issues and cultural differences between regulators. The Corry review recommended establishing a lead environmental regulator for major infrastructure projects, which Defra and the regulators are currently piloting, and which might provide a useful model for more joined-up working with smaller developments or other areas of regulation (paragraphs 3.2 to 3.6).

18 Defra’s oversight and funding arrangements do not give the regulators flexibility to prioritise resources on activities that are likely to make the greatest contribution to environmental outcomes. Defra is working to define a strategic, prioritised framework of key outcomes that regulation should deliver and recognises this will be essential to optimising the impact of its work. However, it has not translated this into funding and performance arrangements. The regulators’ performance metrics, endorsed by Defra, are primarily based on detailed inputs rather than broader environmental outcomes (paragraphs 3.12 and 3.13).

Improving regulation

19 In the past two years, both regulators have increased their focus on improving how they regulate, and have set up a series of reform programmes.

In December 2023, NE introduced an organisational change programme and associated team, aiming to shift its business model and culture towards one that meets current needs. As part of this, NE has begun four ‘critical reform’ programmes, including reviewing its workforce plan and operating structure, and developing a new corporate strategy. In April 2024, EA introduced a Chief Regulator’s Group and new Chief Regulator role, aiming to standardise and inform regulatory delivery. It is developing a regulatory profession, and a range of other changes to how it regulates (paragraphs 4.2 to 4.7).

20 The regulators are taking steps to improve recruitment and retention of key skills and expertise, but these remain long-standing challenges. Both regulators have faced workforce challenges in key areas of skill and expertise, partly due to limited promotion opportunities and higher pay in the private sector. They have also faced disruptions to core regulatory delivery due to responding to emergency incidents and other reactive work. Workforce problems have been a long-running difficulty: in 2023 we found that both EA and NE had workforce issues affecting their ability to deliver current workloads, as well as uncertainty over what they would need in the future. The regulators have recently initiated programmes to address some of these issues, such as introducing career pathways and a regulatory profession (paragraphs 4.8 to 4.10).

21 Defra and the regulators face significant risks to delivering the volume of change needed to realise the opportunity for ambitious reform of environmental regulation. Three major reviews in 2025 give Defra and its regulators the impetus and opportunity to make substantial changes to how they regulate. In total, the three reviews make 149 recommendations to Defra or its arm's-length bodies. It needs to balance those that are easier to implement with more structural changes that may take longer but have potential for greater impact, particularly those that will require legislative change. Defra has prioritised 15 recommendations from the earlier two reviews, of which seven require a high level of resource. It needs to understand the resource and skill implications of such a large reform programme, and ensure the changes are well aligned with the other change programmes happening within the regulators to produce the most meaningful outcome (paragraphs 4.11 to 4.14).

Conclusion on value for money

22 Recent reviews have highlighted challenges for environmental regulation in both supporting the government's environmental goals and enabling economic growth. The ability of EA and NE to regulate in a consistent and well-targeted way has been constrained by limitations in their systems and how they collect and use data, and challenges addressing skills shortages, allocation of limited resources and a culture of risk aversion. They have also faced limitations of the regulatory and legislative framework they operate within, and Defra has not done enough to support a strategic, joined-up approach rather than reacting to short-term, high-profile issues.

23 In the past two years, the regulators have increased their focus on improving how they regulate, and the government's response to recent major reviews has added impetus for reform. Defra and the regulators have made a good start, but the scale of change required is substantial and comes with risks and challenges. Success will depend on taking a focused and integrated approach to the changes needed, proper consideration of the skills and capacity required, and speeding up progress with replacing outdated IT systems and embracing digital technologies. There are also opportunities to improve value for money in the short term, particularly in how the regulators use information and intelligence to target limited resources on the areas where there is greatest risk to the environment and nature and taking a more flexible approach to supporting compliance.

Recommendations

24 Defra and its regulators are embarking on a period of potentially significant reform of the regulatory system, taking several years. To help ensure a coherent, whole-system approach to maximise the benefits of these reforms, Defra should:

- a** work with the regulators to set a plan for how existing change programmes and new reforms – including digital change – will link together, so that they prioritise changes that can unlock the greatest gains and are planned and delivered in a coherent way. This should set out dependencies between actions, milestones for delivery, resource requirements and governance arrangements;
- b** determine how it will make the most of whatever Parliamentary time is available for legislative change, and what alternative methods it can use to make improvements;
- c** update funding and performance mechanisms to place greater emphasis on the extent to which the work of the regulators addresses environmental harm, rather than what activities they are doing;
- d** investigate new approaches to sharing data including, for example, using open data and licensing models or trialling projects for data sharing between regulators that cover the same sectors;
- e** pilot joint working for smaller projects or planning applications, based on learnings from the ‘lead environmental regulator’ approach currently being developed for major infrastructure projects; and
- f** define its risk appetite and the support it will provide to regulators if risks materialise, to support a culture of change and innovation.

25 Alongside developing their approach to major reforms, the regulators have opportunities to improve environmental regulation at an operational level. They should, over the next year:

- g** prioritise building their capability around information and data that supports regulatory decision making and making best use of all regulatory tools: this should include:
 - more robust and consistent ways to assess and triage intelligence and identify where risks are greatest, and whether issues are best dealt with by local officers or national teams;
 - a more systematic approach to evaluating the impact of different regulatory approaches; and
 - working with Defra to ensure key decisions on, for example, resourcing and regulatory priorities are based on an assessment of total costs across the whole system including, for example, future costs of remedial clean-up activities if pollution and non-compliance increase;

- h** work with Defra to make guidance easier to find and use, including developing real-world examples and scenarios alongside general guidance to support regulated entities to comply; and
- i** ensure they have systematic ways to incorporate the views of both front-line regulatory staff and regulated entities in the design of future operational processes and changes; they should also use these operational perspectives to support ongoing reform programmes.

Part One

Environmental regulation in England

1.1 This part sets out how environmental regulation works in England and covers:

- the government's objectives and commitments for protecting and enhancing the environment and nature;
- the roles and responsibilities of the Department for Environment, Food & Rural Affairs (Defra) and its regulatory arm's-length bodies;
- the progress Defra has made so far towards its environmental aims; and
- recent reviews of Defra, its regulators and environmental regulation.

The government's objectives and commitments

1.2 The government's overarching objectives and commitments for the environment are set out in the 2021 Environment Act, and in the 2023 Environment Improvement Plan (EIP) which Defra updated in December 2025. The Environment Act required the government to set binding statutory targets in four priority areas: air quality; water; biodiversity; and resource efficiency and waste reduction.

1.3 Regulation is one of the key tools that the government uses to encourage action towards the EIP's goals. Regulation describes rules and expected behaviours that people and organisations should follow, often involving bodies with regulatory powers that enforce and influence compliance with these rules and behaviours. It can encompass a range of activities and approaches, including strict and prescriptive rules and enforcement, principles-based approaches such as financial or other incentives, and lighter-touch approaches such as guidance and codes of practice.

Roles and responsibilities

1.4 Defra has policy responsibility for environmental regulation and most of the EIP's commitments. Defra provides funding and direction to its regulators and other arm's-length bodies, including through policy design and legislative change.

1.5 Defra's two largest environmental regulators, the Environment Agency (EA) and Natural England (NE), monitor and enforce compliance with environmental regulations and are both accountable to Defra. Many of the regulations contribute to achieving the EIP goals, although most of the underpinning legislation pre-dates the EIP and the 2021 Environment Act. Each regulator has a wide and complex regulatory remit and applies a range of approaches. These include issuing and monitoring compliance with permits to carry out certain activities, providing advice, consent or assent for proposed activities that may affect protected sites, and inspecting sites and businesses to ensure compliance with regulations.

- EA regulates agriculture and land use, water resources and quality, flood risk, major incident hazards, and a range of industrial sectors. These include food and drink, fisheries, hydropower, metals, chemicals, cement and minerals, paper pulp and textiles, oil and gas, radioactive substances and navigation services, and various aspects of waste such as landfill, mining, energy from waste, producer packaging and international shipments. Many, but not all, industrial and agricultural activities that affect the environment require a permit under the environmental permitting regulations.
- NE provides a range of regulatory and advisory services, some of which it is required to do in legislation. These cover wild species licensing, fisheries, habitats regulations, protected sites, statutory nature and marine conservation, landscape and nature recovery, and green space access. It also has an administrative and monitoring role in agriculture and environment schemes.

1.6 Defra has other regulatory or grant-awarding bodies that either oversee some of the same sectors as EA and NE or also have environmental aims as part of their remit. This includes, for example, the Forestry Commission, Marine Management Organisation, Ofwat and Rural Payments Agency. These organisations are not in the scope of this report. Defra has various mechanisms to liaise with its arm's-length bodies and partner organisations, including regular meetings, portfolio and programme boards, and performance reviews.

Defra's progress towards its environmental objectives and commitments

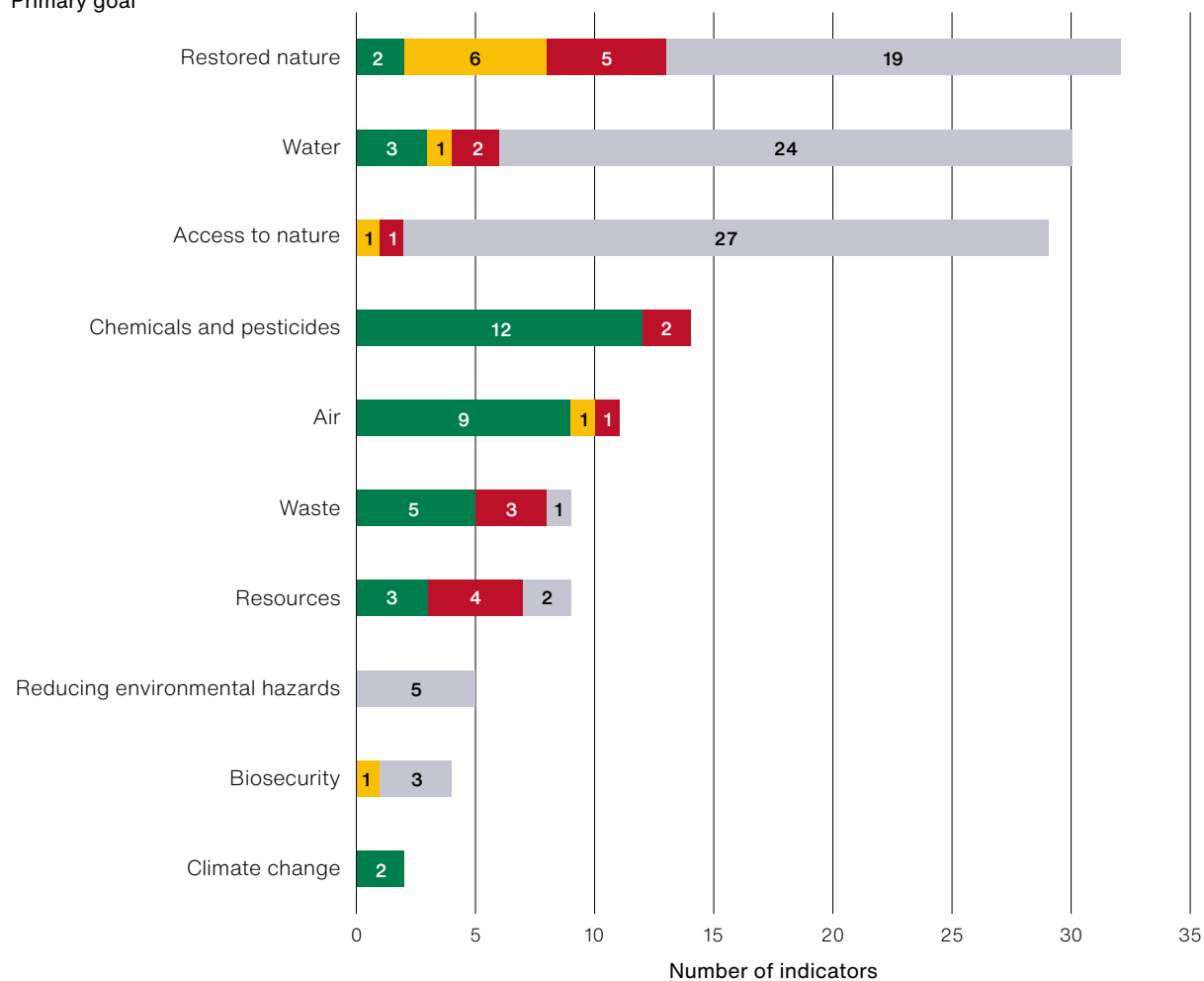
1.7 The government's progress against its environmental aims remains mixed. In December 2025, Defra reported that three of the 10 goals are largely improving, while progress in six is mixed (and for one goal, Defra does not yet have sufficient time-series data to assess progress). Of the 143 individual component indicators of the 'environmental indicator framework' that Defra uses to assess progress with the EIP, Defra has sufficient data to assess the improvement or deterioration for 62, and of these 35 showed improvement (**Figure 1** overleaf).

Figure 1

Environmental Improvement Plan (EIP) progress by theme

Across the 10 EIP goals, 35 out of the 62 component indicators that the Department for Environment, Food & Rural Affairs (Defra) has been able to assess so far have shown improvement over the short term

Primary goal



- Improvement
- Little or no change
- Deterioration
- Not assessed

Notes

- 1 Defra uses an 'environmental indicator framework' made up of separate indicator components to assess progress towards the 10 primary goals of the EIP. Defra has sufficient data to assess the improvement or deterioration of 62 of the indicator components. Two indicators are used twice to support two different goals, as a result, the numbers in the chart cannot be added directly.
- 2 Defra measures indicator component trends over the short, medium and long term. This chart shows the short-term data which generally covers the most recent five years. However, the time periods covered is not consistent across all indicators.

Source: National Audit Office analysis of Department for Environment, Food & Rural Affairs environmental indicator framework assessments

1.8 Progress with individual activities has also been mixed, as the following examples show.

- In January 2025, the Office for Environmental Protection (OEP) – which holds government to account for its role in protecting and improving the environment – found that only nine of its 43 environmental targets and commitments, and three of the 13 Environment Act targets, are likely to be achieved. Alongside its updated EIP in December 2025, Defra set out delivery plans for how it intends to meet its environmental targets.
- In June 2025, the OEP found that only four local nature recovery strategies had been published, compared with the government’s plan to publish all 48 by March 2025.
- As of November 2025, NE reports that 32% of sites of special scientific interest features have an up-to-date condition assessment, compared with a target of 100% by 2028.
- In 2022, EA found that 49% of farms inspected were not compliant with environmental regulations, falling to 42% in 2024.
- EA has found higher levels of pollution and non-compliance from businesses and activities not currently covered by environmental permitting regulations. For example, it recorded 569 serious pollution incidents in 2023, 54% of which were from sites or activities not requiring a permit. EA also reported that farms not requiring a permit emitted 93% of farming ammonia emissions to air (equating to 78% of all ammonia emissions in England) in 2022.

Recent reviews of Defra, its regulators and environmental regulation

1.9 In 2025, Defra published an independent review of its regulatory landscape by economist Dan Corry.¹ The review found that “our regulatory system is not working as well as it should to support either nature recovery or economic growth”. It highlighted factors such as resource constraints, EU Exit, the complexity of the regulatory system and the challenges regulated entities face in complying. Defra has accepted all the review’s recommendations and established a project to implement them, alongside relevant recommendations from Sir Jon Cunliffe’s review of the water industry,² and an internal review of Defra’s management and leadership of its arm’s-length bodies by Heather Hancock, one of its non-executive directors. The reviews made a range of recommendations that will affect Defra’s environmental regulators (**Figure 2** overleaf).

¹ Dan Corry, *Delivering economic growth and nature recovery: An independent review of Defra’s regulatory landscape*, April 2025.

² Independent Water Commission, review of the water sector, *Final Report*, 21 July 2025.

Figure 2
Recent reviews of the Department for Environment, Food & Rural Affairs (Defra), its regulators and environmental regulation

Three reviews in 2025 make a range of recommendations that will affect the regulatory landscape

| Review | Coverage | Key recommendations |
|--|--|--|
| Delivering economic growth and nature recovery: An independent review of Defra's regulatory landscape, Dan Corry | Fit-for-purpose test of Defra's regulatory landscape, covering how regulation can encourage economic growth while protecting the environment, the customer and stakeholder experience, and the efficiency of regulation. | <ul style="list-style-type: none">● Rolling programme of reform for specific regulations.● New strategic policy statements to regulators.● 'Lead environmental regulator' on major infrastructure projects.● 'Trusted partner' scheme.● More emphasis on real-time and digital approaches.● Pilot regulatory sandboxes to promote innovation. |
| Independent Water Commission: review of the water sector, Sir Jon Cunliffe | Largest review of water sector since privatisation, covering customer satisfaction in regulation and investor confidence in future infrastructure developments. | <ul style="list-style-type: none">● Establish a new single water regulator bringing together water-related roles from existing regulators.● New long-term strategy for water. |
| Optimising Delivery Review, Heather Hancock | Internal review of Defra and its arm's-length bodies, covering delivery culture, customer experience, risk, strategic direction, accountability, and roles and responsibilities. | <ul style="list-style-type: none">● Strengthen and improve consistency of risk frameworks.● Ensure organisational performance frameworks do not incentivise low- or no-risk culture.● New design principles for policy-to-delivery approaches. |

Source: National Audit Office analysis of documents from the Department for Environment, Food & Rural Affairs and publicly available documents on gov.uk

Part Two

Targeting regulatory activity

2.1 This part examines the extent to which the Environment Agency (EA) and Natural England (NE) can target their regulatory work efficiently and effectively. It covers:

- how EA and NE ('the regulators') decide when and how to intervene;
- the extent to which the regulators take a consistent approach;
- whether regulated businesses can access and use advice, guidance and support to help them comply; and
- what the Department for Environment, Food & Rural Affairs (Defra) and the regulators are doing to modernise the IT systems that support how they regulate.

Regulatory decision making

2.2 Environmental regulation covers a range of approaches, from direct enforcement through permitting and mandatory standards to lighter-touch methods such as guidance and voluntary agreements. EA and NE have various tools available to them (**Figure 3** overleaf).

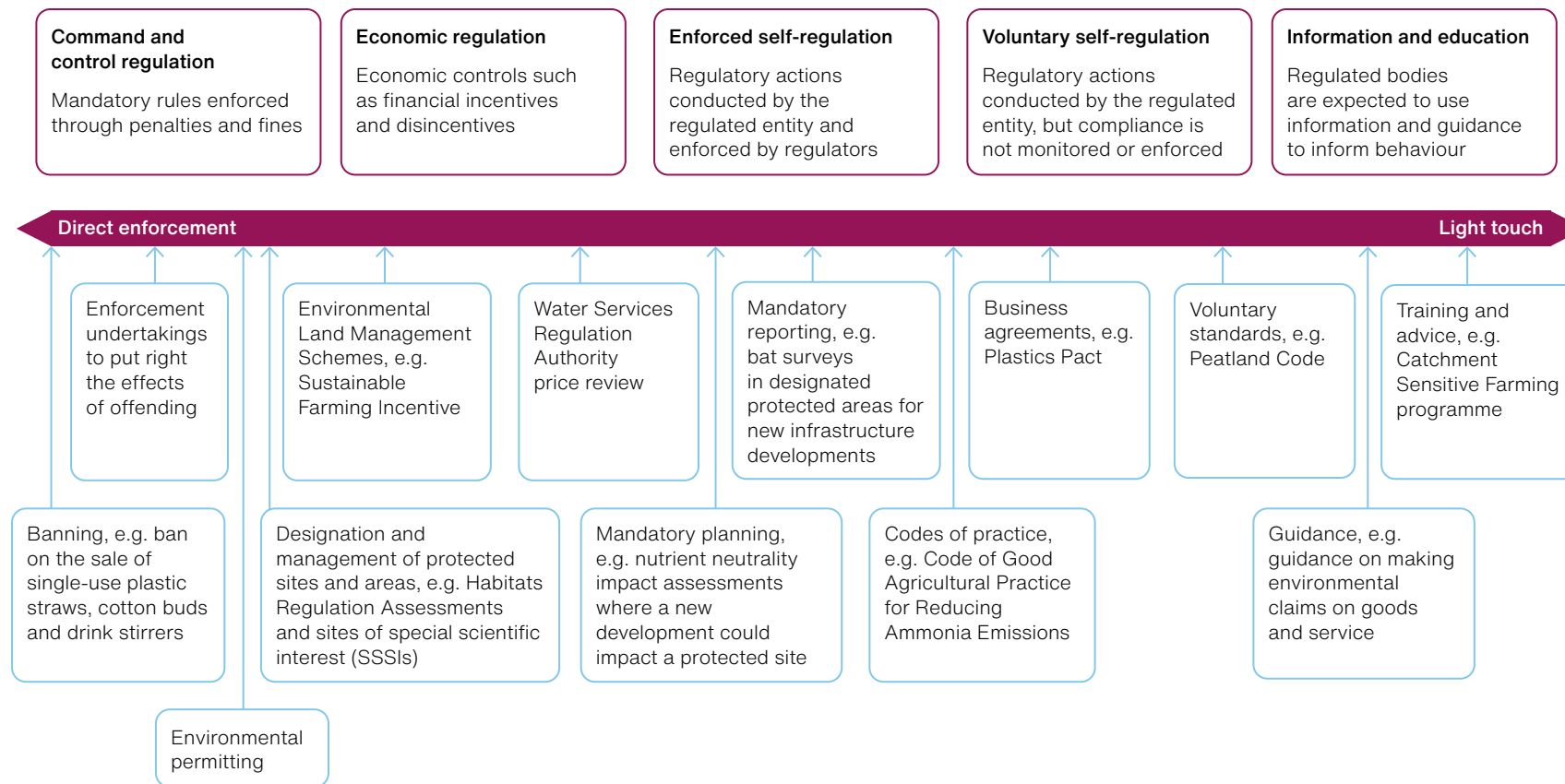
2.3 Our good practice guide on the principles of effective regulation highlighted the importance of having a good understanding of where harm or risk is greatest, prioritising activity, and of determining which tools or interventions to use based on evidence of what works to prompt improvement and deter non-compliance.³

3 National Audit Office, *Principles of effective regulation*, May 2021.

Figure 3

Approaches and interventions used within the environmental regulatory landscape

Regulators use a range of interventions to regulate the environmental landscape, from directly-enforced interventions to lighter-touch approaches



- Regulatory approach
- Regulatory intervention

Notes

- 1 National Audit Office analysis did not measure the prevalence of interventions but used categories defined in our *Parliamentary Overview of Regulation* to understand the various approaches used.
- 2 Enforcement undertakings are a voluntary offer from the offender which, if accepted by the Environment Agency (EA), becomes a legally binding agreement. It is often used by EA as an alternative to prosecution.

Source: National Audit Office analysis of publicly available information and National Audit Office, *A Short Guide to Regulation*, September 2017

Understanding where environmental harm or risk is greatest

2.4 Regulators should prioritise resources and interventions based on an assessment of risk to regulatory objectives. This is important for regulators such as EA and NE, which have finite resources but broad regulatory remits. The Office for Environmental Protection (OEP) has expressed concern that regulatory activity in 2025 may be shaped more by resource constraints than risk-based decision making. Defra's January 2025 review of its progress with the Environmental Improvement Plan (EIP) found a need to better understand where action is needed or could be better targeted.

2.5 We found several examples where the regulators lacked a fully risk-based approach in recent years.

- In international waste shipments, an internal audit found EA did not effectively gather intelligence and information across the sector, limiting its ability to target audits and inspections on areas of highest risk. Similarly, in hazardous waste, an internal audit found that EA's regulatory delivery plans did not successfully focus resource on priority areas. EA told us it has implemented the recommendations from these audits and addressed the issues they raised.
- NE's lack of monitoring across designated sites has led to some decisions related to protected sites being made based on generic or out-of-date information, rather than a proper assessment of risk.

2.6 Both regulators have found that some monitoring and intelligence-gathering activity has been disrupted by responding to emergency incidents and reactive work. They also told us their ability to access and use the data they need is constrained by outdated IT systems. We examine Defra's efforts to modernise IT systems in paragraphs 2.19 to 2.23.

Understanding what works to achieve environmental outcomes

2.7 Our 2023 report on regulating to achieve environmental outcomes found gaps in Defra's understanding of how regulation supports environmental objectives, and that performance information from EA and NE did not enable them or Defra to evaluate their regulatory activities. These gaps limited their ability to make evidence-based decisions about where to deploy resources and understand the impacts of their approach.

2.8 Defra has started to improve its understanding of the impact of environmental regulation. It has reduced its backlog of post-implementation reviews of regulatory changes, which stood at 63 in March 2023. In April 2025, the Corry review found that Defra had since published 62 post-implementation reviews, leading to recommendations to amend or revoke over 20 regulations that were not working as intended.

2.9 However, neither Defra nor the regulators have evaluated regulatory interventions in a more systematic way. The OEP found in 2025 that the government's understanding of how inspections and compliance assessments affect environmental risks and outcomes was underdeveloped. In 2024, EA began taking a more structured approach to assessing the effectiveness of its regulatory activities. However, it has not prioritised this work within constrained resources, and so has made only partial progress. In 2023, NE conducted an exercise to reconsider how it contributes to the government's environmental goals, but it has not evaluated the actual impact of its regulatory work for several years.

Regulating in a consistent way

2.10 Consistency and predictability in regulatory delivery, particularly in inspection regimes, can mean taking a similar approach to similar issues across different areas or businesses, for example in how to conduct inspections or respond when identifying non-compliance. While decisions need to be tailored to the specifics of each situation, consistency can increase engagement and compliance by providing clarity and stability to help regulated bodies know what is expected of them. It can also ensure a level playing field between businesses and help regulators set a regulatory baseline from which to target resources.

2.11 The regulators have found it challenging to apply a consistent approach to regulating across their area teams. Stakeholders we interviewed told us that regulatory activity is often applied inconsistently across different regions. We found factors affecting this include variable levels of expertise at local level and challenges in providing training or supporting front-line officers. NE no longer has a set operating model for local areas, with some but not all areas having dedicated local officers. It told us that approaches vary between different teams, and that in some areas the responsible officer is stretched across too many sites.

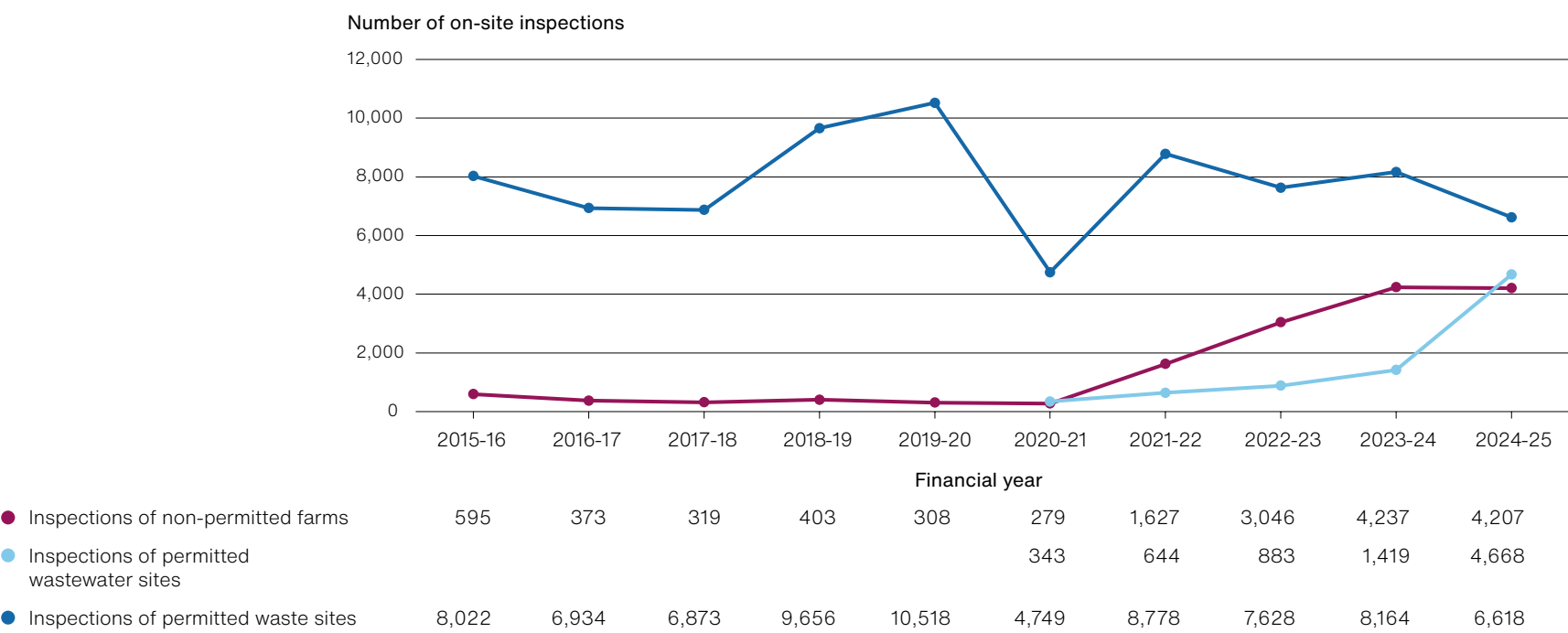
2.12 EA has recognised the need for a more consistent approach to regulation within and across the more-than-40 regimes it regulates. In 2024, it began developing a new regulatory 'control strategy framework' to improve the consistency and effectiveness with which it regulates within and across sectors. This work remains in progress, and its effectiveness will depend on the extent to which the framework and related control strategies are used across its different teams.

2.13 A consistent approach to inspections can also provide regulators with a base level of intelligence on the condition of each sector and when regulators may need to intervene. The OEP reported in 2025 that there was "considerable variation in regulatory approaches to inspection" and that, while some sectors are subject to regular oversight, others, such as certain waste exemptions and abstraction licences (both of which EA regulates), receive minimal attention. Historically, numbers of inspections have fluctuated, for example in the agriculture, waste, and wastewater sectors (**Figure 4**, and explored further in paragraphs 3.14 and 3.15).

Figure 4

Number of inspections across major environmental sectors since 2015

The number of inspections has fluctuated historically, for example in the agriculture, waste and wastewater sectors



Notes

- COVID-19 restrictions affected Environment Agency (EA) inspection numbers in 2020-21.
- This data include inspections following an incident, as well as routine compliance inspections. However, for non-permitted farm inspections, not all inspections in immediate response to an incident were recorded as an inspection prior to 2021.
- Before 2020, EA recorded on-site inspections of permitted wastewater sites according to the number of breaches. This has not been presented here due to incomparability with subsequent years.
- This data represent on-site inspections; remote inspections have not been included.

Source: National Audit Office analysis of Environment Agency datasets

Clarity of guidance and provision of support

2.14 Enforcement is sometimes necessary, but it is also costly. As well as inspections and enforcement, regulators can increase compliance with regulations by providing advice, guidance or support. These can help businesses know what is required of them, encourage a culture of openness and going beyond minimum requirements, and reduce the need for enforcement action.

2.15 Environmental regulation is complex, and regulated entities often cannot understand what is required of them. Dan Corry's review found that "the complexity of the regulations and associated guidance makes it challenging for customers to understand what the standards are that they are expected to meet". The review noted, for example, that there are more than 150 historic pieces of regulation on farming alone. Defra's farmer opinion tracker shows that 69% of farmers are either not confident at all or only somewhat confident in understanding the regulations that apply to their farms.

2.16 Stakeholders find it can be difficult to locate and use the relevant information, particularly on the gov.uk website. The regulators told us the requirement to use gov.uk since 2014 for all online guidance places constraints on how easy it is to present or publicise specialist information in the required format. In 2025, EA's external insights survey of customers found that 59% of respondents to the survey who contacted EA for advice or guidance had looked online for information first. Defra has acknowledged that its online guidance needs simplifying, identifying that it is time-consuming and costly for customers to understand who to contact to access services. The guidance available is also often generic in nature, with little in the way of practical examples to illustrate how businesses might ensure compliance. Stakeholders also highlighted instances where NE had been cautious to update its guidance in line with new research, instead relying on outdated information. Work is underway by Defra and the regulators to streamline and revise guidance as part of implementing the recommendations of the Corry review.

Support for regulated entities to comply

2.17 Stakeholders representing regulated entities told us they do not always get sufficient support from regulators to comply with environmental regulation. They highlighted the value of local officers with relevant expertise who can provide more efficient and effective support. Capacity and skills gaps mean it is not always possible to provide local expertise in all areas. NE no longer routinely provides local officers in all areas and has not developed a consistent alternative approach to locally tailored advice. Stakeholders have also found it difficult in some sectors where NE does not provide a helpline. EA's 2025 external insights survey of customers found that, while 65% of respondents said it has knowledgeable staff, 57% felt there was inconsistent knowledge and ability to help.

2.18 We found some specific past examples where stakeholders considered NE's approach to be intransigent and inflexible, with limited effort to build relationships with those affected by its decisions. For example, this was the case when NE could not reach agreement with farmers on the best way to manage Dartmoor National Park, or in failing to effectively engage stakeholders who objected to how the West Penwith Moors and Downs was designated as a protected site. NE acknowledged it could have managed these cases better and has since made changes to improve how it engages with stakeholders.

Modernising IT systems

2.19 In 2022, we reported that Defra has one of the most significant legacy IT challenges in government, posing major risks to the services Defra and its regulators provide.⁴ Defra subsequently published a new *Digital and data transformation strategy* in 2023, which has commitments that cover its main regulatory arm's-length bodies.

2.20 Defra, EA and NE are working to improve the systems and digital technologies that support how they regulate, with progress in some areas. For example, Defra has introduced a platform to make environmental data more accessible, and is developing some shared datasets across regulators. EA reported a range of efficiency and productivity benefits totalling £23 million at the end of 2023-24 from its Regulatory Services Programme, which is part of its wider digital transformation efforts. It has improved its systems for enforcement officers to check certain fishing-licence holders, reducing processing time from up to three months to only hours. It has also introduced more digital options to apply for environmental permits. But it has further to go to meet the challenge of fully modernising its regulatory services. NE is beginning to build internal capability by establishing a dedicated digital and data function, although digital transformation will depend on receiving funding from Defra.

2.21 Despite some recent areas of progress, Defra has been slow to modernise its systems and is only part-way through a programme to do so. In our 2022 report, we noted that Defra found it hard to develop and maintain long-term IT plans, because budgets are often cut to meet other priorities. Recent reviews by Dan Corry and Heather Hancock found that Defra's arm's-length bodies are still not content with the way it manages digital transformation, seeing it as slow and indecisive. The regulators told us that digital awareness and culture are not sufficiently prioritised within Defra.

⁴ Comptroller and Auditor General, *Modernising Defra's ageing digital services*, Session 2022-23, HC 948, National Audit Office, December 2022.

2.22 Current systems remain fragmented. Each regulator operates multiple systems which do not easily interact with other regulators, or in some cases with other systems within the same regulator. For instance, Defra does not have a single database or dataset for farms that its various arm's-length bodies could use jointly to share insight on risks. While EA has made progress developing its environmental permitting system, it is not currently a system that can be used by other regulatory bodies with a role in permitting.

2.23 Defra's 2025 spending review settlement included £300 million from 2026-27 to 2028-29, to replace legacy IT systems and invest in innovation and technology to improve front-line delivery, including in its arm's-length bodies. The regulators have welcomed this, but there is currently a lack of clarity over how Defra will prioritise funding and the extent to which it addresses current constraints the regulators face. While NE has received some money to invest in specific digital services over recent years, the level of funding to improve its core regulatory services and outdated systems remains a constraint.

Part Three

Regulating in a strategic, joined-up way

3.1 This part examines the extent to which the Department for Environment, Food & Rural Affairs (Defra), Environment Agency (EA) and Natural England (NE) are regulating in a strategic, joined-up way. It covers:

- EA and NE's ('the regulators') efforts to work together and coordinate approaches;
- the role that organisational culture and risk appetite play in innovating and regulating to best effect; and
- the extent to which Defra takes a strategic approach to environmental regulation.

Joint-working

3.2 EA and NE, along with other regulatory bodies, have responsibilities that are similar and can cover the same sites and areas. For example, EA and NE each has distinct responsibilities regarding water quality within sites of special scientific interest (SSSIs) on the same site, where EA is responsible for regulation in relation to water but NE provides advice on SSSI requirements. Some sectors have oversight from several different regulatory and grant-awarding bodies – for example, farms need to engage with EA, NE, the Food Standards Agency, the Animal & Plant Health Agency, the Rural Payments Agency, and others. Developers planning and building housing or other infrastructure also often need to engage with multiple regulators. As a result of such overlaps, it is common for regulators to contact the same regulated entity for information or checks.

3.3 It is therefore important for regulatory bodies to work in a coordinated way, to ensure clarity for regulated businesses and minimise uncertainty, frustration or duplication. Effective joint-working can have many benefits, from reducing the burden on regulated entities to streamlining work within and between regulators.

Efforts to take a coordinated approach

3.4 The regulators have introduced some joint-working projects to take a more coordinated approach. For example, this has included ways to deal with cases more quickly and efficiently and reduce the number of contact points that businesses have with regulators (**Figure 5**). The regulators have identified benefits from these arrangements, including reducing burdens or complexity for them and for the regulated entities. However, these joint-working agreements have not always been used to their fullest potential, and the regulators have not managed to apply them more widely. Dan Corry's review of Defra's regulatory landscape found examples of regulators working on the same project starting from scratch and reconsidering evidence that other regulators had already seen.

3.5 The regulators have identified structural or systemic barriers to implementing coordinated approaches more widely.

- **Legislative requirements:** Each regulator has its own statutory duties that it must fulfil and which other bodies are not empowered to execute. These duties may also conflict or come into tension with the role of other regulators.
- **Data-sharing challenges:** Data protection laws place constraints on data sharing between different parts of government, and the regulators do not always interpret the requirements in the same way and lack guidance from Defra. Where data sharing is possible, outdated and fragmented systems (examined in Part Two) – which may be purpose-built – create further barriers, such as the need to upskill staff and devote time to interpret each other's data. Formalised data-sharing agreements can reduce barriers but take time to develop. For example, EA told us one agreement between EA, the Rural Payments Agency and Ofwat took 18 months to set up. This timetable is not unusual in government but can be a deterrent to initiating this approach.
- **Cultural differences:** The regulators told us that different cultures, approaches and priorities can affect how well joint-working efforts work in practice. EA and NE have started projects to move towards a more collaborative culture, but this will take time to embed.

3.6 Defra has recently started piloting the 'lead environmental regulator' approach for major infrastructure projects recommended by the Corry review. There is support for the approach among regulators and stakeholders we interviewed, but the pilots are at a very early stage, and key features are not yet determined. This includes whether one regulator will take on the full regulatory role on behalf of other regulators or simply coordinate communication across them, and therefore whether legislative reform or further IT system development are needed. The current proposal is only for major infrastructure projects but could provide a useful model for more joined-up working with smaller developments or other areas of regulation. There is also opportunity for Defra to learn lessons from similar past projects such as the coastal concordat (**Figure 5**), but it has not yet conducted such an exercise.

Figure 5**Examples of joint-working arrangements between environmental regulators****Regulators have introduced some joint-working projects to take a more coordinated approach****Coastal concordat**

In 2013, the Department for Environment, Food & Rural Affairs (Defra), the Environment Agency, Natural England (NE), Marine Management Organisation and Coastal Local Planning Authorities signed an agreement for how they would provide consent for coastal developments where several bodies have a regulatory function. This provides a framework to better coordinate separate processes and reduce work and duplication for both applicants and regulators.

The regulators have found the agreement beneficial, but it is not widely used. Local planning authorities may only deal with one or two suitable cases each year, and Defra told us that as a result the approach is not always at the forefront of authorities' minds when dealing with suitable cases.

One Team

In September 2023, NE, the Forestry Commission and the National Trust set up a memorandum of understanding on how they will work together to identify opportunities for woodland and woody habitat creation; accelerate processing-related permissions, consents and grant applications; and co-develop joint approaches to resolving issues.

In September 2024, the organisations involved reviewed their approach and found clear benefits, including improved relationships and better understanding of other organisations' processes. They also identified barriers to further joint-working, including legislative constraints, funding, and a risk-averse attitude in the organisations.

Source: National Audit Office review of Natural England documents

Culture, risk appetite and innovation

3.7 Well-managed risk taking, including setting clear boundaries and monitoring outcomes, is vital to innovation that can improve how regulation both protects the environment and supports growth. Appropriate risk taking can help regulators identify and embed efficiencies and new, more effective ways of working. In March 2025, the government's action plan for how regulation across the economy can support growth set an aim to shift away from excessive risk aversion, and for environmental regulation specifically to be more flexible, coherent and innovation-friendly.

3.8 The regulators have introduced some new or innovative approaches. For example, NE told us that in some areas it has responded effectively to reductions in local officers by dividing work between land management advisors and protected site advisors. Low-risk case work is dealt with by a national team, allowing the local team to focus on higher-risk work in the area. EA recognises that, while environmental legislation is generally inflexible, EA itself has some flexibility in how it enforces the rules. It has set out and regularly updates a range of areas where – based on current evidence – environmental risk is low, and for which it will not actively enforce the need for an environmental permit.⁵

5 These can be viewed online at: www.gov.uk/government/collections/basic-rules-environmental-permitting-regulatory-positions (accessed 27 November 2025).

3.9 However, Defra and its environmental regulators typically take a cautious approach to risk, based on the ‘precautionary principle’, a long-standing concept used in different areas of regulation and recently enshrined in the Environment Act 2021. The Corry review found that “thinking in this area over recent decades has been dominated by the precautionary principle approach to risk, meaning if an action might cause harm to the environment, no matter how small, then better to just say no”. In some areas, specific legislation or regulations also focus on narrower requirements rather than wider environmental outcomes. For example, the *Water Framework Directive* requires regulators to prevent any decline in water quality through no deterioration, even if the potential harm is minimal. Stakeholders we interviewed considered EA and NE to often be overly risk-averse when making decisions, missing opportunities to innovate or achieve large-scale nature renewal.

3.10 The regulators’ risk-averse approach is affected by a lack of clarity from Defra on its risk appetite. The Corry review found that judicial reviews have driven a cautious approach by the regulators, often because of the potential for legal challenge. It is unclear what support Defra will provide if a risk such as a judicial review materialises. While Defra has significant risks that it needs to manage, internal and external reviews in 2025 identified a culture in Defra and its arm’s-length bodies of risk aversion at all levels, leading to significant opportunity costs and economic costs. Defra has responded by committing to strengthening and harmonising its risk framework, giving clearer direction on risk. This includes ensuring performance frameworks for its arm’s-length bodies do not overly incentivise no-risk and low-risk decision making.

3.11 Both EA and NE have started exercises to better understand and change their approach to risk. For example, EA has started work to review its regulatory culture and is developing actions to ensure its front-line regulators are empowered to make confident, risk-based decisions. NE has committed to reforming how it handles some of its work, focusing on high-risk and high-opportunity casework that can deliver the biggest improvement to the environment. NE’s 2024 staff survey found that only around half of respondents considered it safe to take risks in their team. One of NE’s critical reform programmes is to reshape the organisation to move to an agile workforce that embraces change and works flexibly to deliver outcomes at scale, rather than focusing predominantly on site-specific actions.

Strategic approach to regulation

Defra's approach to regulatory priorities

3.12 Defra's past approach to environmental regulation has not been guided by a clear strategy linked to its objectives. Our 2023 report on regulating to achieve environmental outcomes noted that Defra had not provided clear strategic direction to its regulators, and found it was still at an early stage of understanding how regulation contributes to environmental outcomes.⁶ Defra is working to define a strategic, prioritised framework of key outcomes that regulation should deliver, and recognises this will be essential to optimising the impact of its work.

3.13 Despite an increasing focus on outcomes within Defra, it has not translated this to its funding and performance arrangements with the regulators. EA's and NE's funding and performance metrics, which are endorsed by Defra, are primarily based on what work they should do, rather than what outcomes they should achieve. They told us that performance conversations with Defra similarly focus on detailed metrics of inputs and activities, rather than broader environmental outcomes. In 2023, NE conducted an exercise to consider its contribution to the Environmental Improvement Plan (EIP) goals to help it prioritise its work. However, the resulting prioritisation was driven primarily by what NE received funding to do, rather than environmental harm or risk. Defra told us it has begun work to improve performance arrangements, including linking activities and metrics to broader outcomes in its 2025-26 letters from the Secretary of State to the Chairs of the regulators.

3.14 Defra's regulatory approach has tended to focus on short-term priorities or high-profile issues, such as pollution of waterways or increases in waste crime, rather than be guided by a coherent strategy, as shown in the following examples.

- Both regulators told us that their funding from Defra changes largely to reflect these short-term or high-profile priorities. Over the past five years, the regulators' funding for their core statutory duties has remained stable in cash terms, representing a reduction in real terms. Over this period, their funding for specific, commissioned activities has seen significant increases (approximately doubling in cash terms across both regulators). The regulators told us their core regulatory work has been affected by the need to focus on these changes and new priorities. Defra told us it is taking steps to allow EA more flexibility in how it allocates its funding.
- As shown in Figure 4 in Part Two, between 2020-21 and 2024-25 there has been an increase in farm and water company inspections in response to increased public and media awareness of pollution in rivers. Non-permitted farm inspections have increased from 279 to 4,207, and water company inspections from 343 to 4,668.

⁶ Comptroller and Auditor General, *Regulating to achieve environmental outcomes*, Session 2022-23, HC 1283, National Audit Office, April 2023.

3.15 Defra's decisions do not always appear to have adequately considered the whole system and total costs and benefits of the changes being made. For example, it cut numbers of certain types of inspections before recently increasing them again. Similarly, reductions to specific types of local officers in NE, and reliance more on centralised guidance and input, have not led to the intended efficiencies in managing casework. It is not clear that decisions such as these assessed the full costs and impacts, including future costs of remedial clean-up activities when pollution and non-compliance increase.

Missed opportunities for improvements

3.16 Until 2025, Defra had not substantively reviewed its environmental legislation or overall regulatory approach. Defra has accumulated legislation over many years and currently has over 3,000 items of legislation in force. In 2023, we reported that, given the time and resource Defra would need to review the volume of retained EU laws, its default position was to preserve most of these laws.⁷ Some key sectors Defra oversees had also not been meaningfully reviewed for many years, such as water regulation in 2009.

3.17 The regulators told us Defra can sometimes be slow or unresponsive when they identify regulatory changes likely to produce better outcomes or cut costs, or other proposals to improve the efficiency and effectiveness of environmental regulation, such as specific regulatory reforms or expansions, digital portals, and improved guidance. Where it has conducted or commissioned reviews and consultations, substantial actions to address the issues raised have often been slow. For example:

- proposals to reform how crime and poor performance in the waste sector are tackled were first consulted on in January 2018 and, although the government published its initial response later that year, it took until October 2023 to confirm which reforms would go ahead; and
- until 2021, EA received little grant-in-aid funding to regulate farms not requiring an environmental permit. EA told us it had presented evidence to Defra since 2019 on the importance of additional inspections.

3.18 Where Defra has introduced helpful changes, these have also often been limited to the specific high-profile issue and missed opportunities to make similar improvements across sectors. In 2023, Defra committed to give EA new powers to tackle waste crime that exploits waste charge exemptions, and to apply variable monetary penalties for non-compliance in the water sector. While EA welcomed these specific changes, it told us the changes could have been more impactful if applied more widely.

⁷ Comptroller and Auditor General, *Regulating to achieve environmental outcomes*, Session 2022-23, HC 1283, National Audit Office, April 2023.

Part Four

Improving regulation

4.1 This part examines what the Department for Environment, Food & Rural Affairs, (Defra), the Environment Agency (EA) and Natural England (NE) are doing to improve how they regulate. It covers:

- recent progress made by EA and NE ('the regulators') to improve their approach;
- the regulators' efforts to improve recruitment and retention of key skills and expertise; and
- how Defra plans to implement significant changes following recent reviews, and the risks it faces in doing so.

Recent progress made by the regulators

4.2 In the past two years, EA and NE have increased their focus on improving how they regulate, and have set up a series of reform programmes.

Natural England's change programmes

4.3 In October 2023, NE's board identified that the organisation needed to change to meet its current challenges and align its priorities more closely with the goals of the government's Environmental Improvement Plan (EIP). In December 2023, it began implementing an organisational change programme and set up a delivery team to lead these changes.

4.4 As part of this overall change programme, NE has begun four programmes of what it calls 'critical reforms'. These projects are still in their early stages and include:

- reshaping the organisation with a new target operating model and strategic workforce plan, intended to support NE's new strategy, which it published in November 2025;
- reforming how it delivers its statutory services, including planning, licensing and protected sites work;
- planning policy reform, covering NE's implementation of the Nature Restoration Fund and other changes the government intends to introduce through the Planning and Infrastructure Bill; and
- NE's role in a cross-government digital transformation programme (involving four government departments), which includes the ambition to standardise HR, finance and commercial policies and processes.

4.5 NE recognises that implementing these reforms will be challenging. It has a 'low' confidence that it will be able to deliver forthcoming milestones for three of the four critical reforms, with only its role in the cross-government digital transformation programme given a 'medium' delivery confidence. NE has identified the main delivery risks, which include:

- insufficient senior leadership support and engagement, which could lead to work being de-prioritised;
- not enough resource to deliver on time, and an associated capability gap with an insufficiently skilled, resilient and agile workforce;
- lack of business readiness;
- insufficient time or resource to fully embed the changes;
- a culture resistant to the volume and pace of change; and
- legal challenges that may increase during the initial phase of the changes.

The Environment Agency's regulatory changes

4.6 In April 2024, EA established a Chief Regulator's Group – and a new role of Chief Regulator – to provide strategic oversight and technical leadership across the range of EA's regulatory remits. EA intends for this function to play a key role in shaping regulatory strategy and standards across the organisation. This involves championing and representing EA's regulatory workforce, developing EA's regulatory strategy and assurance frameworks to support high-quality regulation, and encouraging innovation by drawing on external insights to improve regulatory approaches.

4.7 Since its introduction, the Chief Regulator's Group has initiated several projects to strengthen EA's regulatory function, including:

- developing an internal regulatory profession to build workforce resilience;
- creating a regulatory 'control strategy framework' to standardise approaches across EA's range of regulated sectors and regimes; and
- introducing a Regulatory Futures strategy, focused on innovation and digital transformation in regulatory practice.

Recruiting and retaining key skills and expertise

4.8 Capacity and skills have been long-standing challenges for the regulators. In our 2023 report on regulating to achieve environmental outcomes, we found that EA and NE each had workforce issues affecting their ability to deliver their priorities. We also found that the regulators and Defra were not clear on what capacity would be needed in the future to achieve the EIP's goals. Defra's 2025 rapid review of its progress with the EIP highlighted tackling skills and capacity gaps as a key area where improvement was still needed.

4.9 Both regulators have struggled to recruit and retain staff with key areas of skill and expertise, partly due to limited promotion opportunities and higher pay in the private sector. Stakeholders told us that not all EA staff are sufficiently trained to undertake inspections and make best use of different enforcement tools. NE has also struggled to manage its workforce effectively – it currently has a higher overall headcount than it has approval for (having previously been substantially under-staffed), but has shortages of some key skills and expertise. The regulators have also faced disruptions to regulatory delivery due to responding to emergency incidents and other reactive work.

4.10 The regulators are taking steps to improve the recruitment and retention of key skills and expertise, including initiating programmes to address some of the key issues they have faced. The work of EA's Chief Regulator's Group to develop a regulatory profession is in line with wider government efforts and may increase opportunities available to those in the profession. NE has also introduced career pathways for local officers and started improving how it trains front-line staff.

Delivering major reform

4.11 After a period of limited change, Defra and its regulators have been subject to three major reviews in 2025 by Dan Corry, Heather Hancock and Sir Jon Cunliffe. These give Defra and the regulators the impetus and opportunity to make major changes to how they regulate. In total, the reviews make 149 recommendations to Defra or its arm's-length bodies.

4.12 Defra has started a project to implement the recommendations of the earlier two reviews by Dan Corry and Heather Hancock. Defra has grouped the recommendations into six themes (**Figure 6** overleaf). Within these, Defra has identified recommendations that it can begin immediately, those it considers it should address next, and those that are more complex and that it will consider over a longer timeframe. Defra has started making some changes in collaboration with its regulators by, for example, developing and implementing a lead environmental regulator approach for major infrastructure projects that involve multiple regulators, and considering regulatory reforms that include updating environmental permitting regulations; reviewing guidance; allowing greater autonomy for trusted environmental partners; and developing a new environmental permitting portal.

Figure 6

The Department for Environment, Food & Rural Affairs' (Defra's) thematic analysis of recommendations from recent reviews

Defra has identified six themes from the Hancock and Corry reviews that it has used to categorise its response to the recommendations

| Theme | Detail |
|--|--|
| Unlocking infrastructure | Includes establishing a Defra infrastructure board and piloting a central infrastructure team, with consistent processes for major projects, including appointing a lead environmental regulator. |
| Place-based delivery | Includes providing better outcomes for nature at a local level and reviewing funding streams connected to place-based delivery. |
| Regulatory reform | Includes a rolling programme of reform for specific regulations, earned autonomy for trusted environmental partners, and strengthening risk frameworks and appetites. |
| Improving efficiency | Includes digital transformation, improving data sharing and improving customer experience. Some of these planned improvements are longer term or more complex or will need agreement across the Defra group. |
| Green finance | Includes increasing private investment into nature and launching government funds for nature. Defra identified this as a complex work stream and important to support growth. |
| Strategic direction and accountability | Includes recommendations around accountability, outcomes, spending reviews, the policy-to-delivery interface and stakeholder management. |

Source: National Audit Office analysis of documents from the Department for Environment, Food & Rural Affairs

4.13 Defra and the regulators face risks to delivering the high volume of required change.

- Defra has identified that 14 recommendations may need legislative changes to be able to implement them completely. The regulators told us that legislative change will be essential for the reforms to be a success. However, with limited Parliamentary time available, Defra may be unable to get all the changes it needs in the near future.
- Defra has identified 15 recommendations to prioritise but has classified seven of these as requiring a high level of resource. Most resourcing needs and constraints are in the policy, delivery or legal teams within Defra itself, with some resource constraints also in its arm's-length bodies. Defra needs to be aware of the skill and resource implications of delivering such a wide-ranging reform programme – for example, it is not clear whether it has the policy, strategic and legal capacity and expertise to manage this change in the context of overall headcount reductions.

- Defra has identified six 'quick wins', including strengthening letters from the Secretary of State to the Chairs of its regulators. Defra needs to balance recommendations that are easier to implement (such as these quick wins) with the more structural changes that will take longer but have greatest potential for impact.

4.14 Defra will also need to ensure that the changes it is making are well aligned with the other change programmes happening within the regulators. With a range of different reform projects across Defra and the regulators, Defra faces the challenge of integrating all the programmes to produce the most meaningful outcomes for environmental regulation. The regulators told us that they have had useful conversations with Defra so far, which has potential to develop into a collaborative approach. However, Defra has not yet developed an integrated understanding of the various projects and how they affect each other.

Appendix One

Our audit approach

Our scope

1 This study examined the extent to which the Environment Agency (EA) and Natural England (NE) are well placed to maximise the benefits to the environment of how they regulate while ensuring costs to business are proportionate. Our study focused on how the Department for Environment, Food & Rural Affairs (Defra) and EA and NE ('the regulators') carried out their regulatory duties in practice, with recommendations to consider as they embark on a period of potentially significant reform.

2 Our report covered:

- the regulators' current ability to target their work efficiently and effectively;
- the extent to which Defra and the regulators are taking a strategic, joined-up-approach; and
- what Defra and the regulators are doing to improve how they regulate.

3 The government's Planning and Infrastructure Bill and its response to Sir Jon Cunliffe's recommendations for the water sector will likely affect the regulators' responsibilities. We did not examine or assess these, having examined these in our April 2025 report on regulation of the water sector.⁸ We considered the potential impact of any resulting structural changes and how these relate to plans that Defra and the regulators are developing. We also did not examine EA's specific role as one of multiple organisations involved in regulating the nuclear industry. We did not look at EA or NE's non-regulatory responsibilities.

4 Both EA and NE also have responsibilities outside of their regulatory duties, including capital projects to enhance and maintain flood defences and nature restoration projects. While there is some overlap between these duties and regulation, our focus is on regulatory activities such as issuing permits to carry out certain activities and monitor these, providing advice, consent or assent for proposed activities that may affect protected sites, and inspecting sites and businesses to ensure compliance with regulations.

⁸ Comptroller and Auditor General, *Regulating for investment and outcomes in the water sector*, Session 2024-25, HC 853, National Audit Office, April 2025.

Our evidence base

Document review

5 We conducted desk research of publicly available information and reviewed documents that are not available in the public domain. These documents were provided to us throughout the study period and included:

- documents provided from Defra, EA and NE;
- published documents such as official guidance, strategies, action plans and relevant transcripts and papers from Parliamentary hearings;
- internal audit reports from EA's internal audit team and NE's internal auditors, Government Internal Audit Agency (GIAA);
- documents provided by stakeholders we interviewed;
- reports from the Office for Environmental Protection; and
- Dan Corry's review of environmental regulation and Sir John Cunliffe's review of regulation in the water sector.

6 We reviewed the documents for key findings and assessed these against the key study themes.

Interviews

7 We conducted over 50 online interviews between March 2025 and October 2025 with representatives from Defra, EA, NE and wider stakeholders to inform our audit. These included the following.

- **Group discussions with EA and NE:** We arranged 25 online interviews with teams in EA and NE to understand their approach to environmental regulation. We ensured a variety of teams that reflected both senior leadership and operational teams. Topics for these included:
 - overviews of the organisations' regulatory roles;
 - their approach to deploying resources;
 - operational challenges of local teams;
 - the scale of data and digital issues;
 - working with other regulators; and
 - readiness to implement the Corry review's recommendations.

- **Interviews with Defra and central government bodies** selected based on their responsibilities related to environmental regulation. The public sector bodies included:
 - Defra;
 - Marine Management Organisation;
 - Forestry Commission;
 - GIAA; and
 - National Infrastructure and Service Transformation Authority.
- **Interviews with wider stakeholders** including regulated umbrella groups such as farmers or businesses, environmental charities and non-governmental organisations, and environmental advisory bodies to capture a range of views to inform our findings. Stakeholders included:
 - the National Farmers Union;
 - Country Land and Business Association;
 - Local Government Association;
 - British Association for Shooting and Conservation;
 - Tenant Farmers Association;
 - the Royal Society for the Protection of Birds;
 - Biffa Limited;
 - Green Alliance; and
 - River Action.

8 In the interviews, we obtained views on environmental regulation and how it is delivered in practice, the strengths and weaknesses with Defra, EA and NE's approach to regulation, and the challenges that regulated entities face in complying with regulation. We tailored questions to the responsibilities and expertise of each interview participant.

Operational management capability analysis

9 We analysed EA's Chief Regulator's Group and NE's change programmes using our People and Operations Hub's operational management capability analytic.⁹ This supported our study in several ways.

- Informing lines of enquiry: The analytic helped us to identify areas of lower maturity in the organisation's operational capability, which shaped the focus of our interviews and stakeholder engagement.
- Targeting evidence collection: We used insights from the analytic and assessment criteria to guide interviews and document requests, ensuring coverage of the most relevant operational challenges.
- Support our evaluation and triangulation: The analytic enabled us to validate and triangulate fieldwork evidence, helping to distinguish between strategic intent and operational delivery.
- Drawing conclusions: We reviewed our emerging findings to ensure issues identified through our analytic were appropriately reflected.

Case studies

10 As part of our fieldwork, we identified a series of case studies with EA and NE that allowed us to both explore how broader challenges the regulators faced led to inefficiencies and consider how specific regulatory practices are operationalised. We did this through a mix of desk-research, document review and interviews. Findings supported the contents of our report and aided in illustrating key challenges the regulators face.

Data analysis

11 We did basic analysis of funding, monitoring and inspection data to understand how this has changed over time.

⁹ National Audit Office, *Improving operational delivery in government: Our approach to assessing government's operational management capability*, March 2021.

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