

WILDLIFE AND COUNTRYSIDE ACT 1981

**Report and accounts** of the Countryside Agency, prepared to Sch.13 para 11 and 13 of the Wildlife and Countryside Act 1981, showing the Income and Expenditure for the year ended 31 March 2006 and Balance Sheet as at 31 March 2006, together with the Report of the Comptroller and Auditor General thereon. (In continuation of House of Commons Paper No. 374 of 2005-2006.)

Presented pursuant to Act 1981, Sch.13 para 11 and 13

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# **Countryside Agency Annual Report and Accounts 2005/06**

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# Annual Report

## MANAGEMENT SUMMARY

### Available Resources

1. The Countryside Agency receives the majority of its funding as Grant-in-Aid, with delivery of much of its work reliant principally on its people, whose knowledge and experience is a critical resource. This is reflected in the proportion of expenditure allocated to staff costs. The Agency has key relationships with a range of partners such as the Environment Agency, the Forestry Commission, English Nature and the Big Lottery Fund. These relationships are key to the success of the Countryside Agency's business. Other than its Headquarters building in Cheltenham, the Countryside Agency holds no material fixed asset investments in the delivery of its business.

### Financial Position

2. The Countryside Agency is financed principally by Grant-in-Aid. A range of funding is also received in grants from the National Lottery and other partners such as The British Heart Foundation and Nationwide Building Society. Total income for 2005/06 was £ 80.748m, of which £ 66.487m relates to Grant-in-Aid.

Total expenditure for 2005/06 was £81.010m, with a deficit of £ 0.528m carried forward. Grant expenditure in the year amounted to £31.008m, relating to The Commission for Rural Communities at £0.153m, Landscape, Access and Recreation £25.886m and Lottery Heritage Initiative £4.969m. The remaining £50.002m relates to staff costs and support costs.

Net assets amount to £ 0.992m, comprising £ 3.796m fixed assets, £ 0.968m of long-term debtors and £ 1.359m net current liabilities, off-set by £ 4.397m provision for early retirement and pension costs. These values include the impact of asset revaluation which maintains book values in line with current prices.

The financial position is not affected by the imminent dissolution of the Countryside Agency.

### Summary of significant achievements

3. Most of the outputs identified in the Corporate Plan were delivered as planned although there continued to be significant practical and financial impact from participation in the Modernising Rural Delivery (MRD) programme during the year and disruption caused by budget cuts required by Defra mid-year together with a moratorium for several months on new projects exceeding £100,000.

The following major achievements and developments took place during the year:

#### Commission for Rural Communities (CRC)

- The Chairman of the Countryside Agency, Dr Stuart Burgess, in his capacity as the Rural Advocate, undertook a programme of visits, seminars and meetings to hear about issues affecting rural communities, businesses and individuals, particularly those suffering disadvantage.
- The CRC published its 'The state of the countryside 2005 report', offering an overview of key facts and trends across a broad range of social, economic and environmental topics relating to rural England.
- The CRC produced the fourth annual monitoring report on rural proofing within government. The report shows the progress of government departments as they seek to embed rural objectives in policy making and delivery, and identifies good practice and innovation to encourage rural proofing to be taken up more widely.
- A thematic study into Rural Disadvantage was started in April 2005 and three publications have been produced. The first provided a brief overview of current evidence about rural disadvantage and sought views about how the CRC should progress with the study; the second analysed those views and set out the steps

CRC should take to progress the study; and the third addressed the issue of quality of life and disadvantage amongst older people.

- A second thematic study was launched, looking at how the Government's Choice and Voice agenda will affect rural services and rural communities.
- The CRC, in its capacity as expert adviser on rural issues, provided advice to a number of government departments and other bodies on policy and programme development, including:
  - Advising Defra on the planned Rural Social and Community Programme to build community capacity and tackle social exclusion in rural England.
  - Advice to the Office of the Deputy Prime Minister (ODPM) on the extent to which proposals to change the Formula Spending Share system is meeting the additional service delivery costs faced by rural local authorities.
  - Evidence to ODPM select committee on regional governance and city regions.
  - Advice to the Department of Trade and Industry on the future of the rural post office networks.
  - Comments to ODPM on Planning Gain Supplement, PPS3 and other policies affecting the provision of affordable housing in rural areas.
  - Evidence to the All-Party Parliamentary Group on Small Shops, showing the important contributions to rural economies and communities made by shops in rural towns and villages.
  - Advice to the Department for Culture, Media and Sport on the implementation of the new licensing regime and its potential impact on valued rural facilities such as village halls and shops.
- The CRC carried out an inquiry into rural housing to hear how rural housing issues are impacting on people's lives and communities and to explore what the local solutions to these issues might be. Results from the inquiry formed part of the CRC's evidence to the Government's Affordable Rural Housing Commission.
- Several reports were published on topics such as the digital divide, rural enterprise and charters between parish and town councils and principal local authorities.
- The CRC is sponsoring work by the think-tank, Institute for Public Policy Research North, on 'A New Rural Agenda'.

#### Landscape, Access and Recreation Division (LAR)

- The Open Access Public Services Agreement target was met two months ahead of schedule after the Agency successfully completed the necessary mapping, restrictions and public information work.
- The Agency completed the second year of operation of the Access Management Grants scheme, which has enabled the new right of access to come into operation on the ground with minimal problems.
- The Diversity Review and Outline Diversity Action Plan, delivering the Rural White Paper 2000 commitment, was completed by the Agency. The Minister responded positively, asking the Countryside Agency to prepare the draft Diversity Action Plan ready for consultation from May 2006.
- The Agency's REACT (Regeneration through Environmental Action) programme has demonstrated how a strategic approach to the environment can be linked to government-supported, area-based initiatives. Seven pilot projects have shown how the community forest approach can be used to assist with the implementation of other regeneration initiatives. For example, REACT, working with Sure Start, achieved a fostering of early childhood development using local countryside, and in delivering social benefits to parents and young children in disadvantaged communities.

- In the 2005 evaluation of the six-year Doorstep Greens initiative, managed by the Countryside Agency in partnership with the Big Lottery Fund, a large majority (92%) thought that the community mostly or completely got what it wanted through the design and development stages of their projects. A total of 90 Greens are now complete with the remaining due for completion later this year. Currently 58% of Doorstep Greens are located in the 20% most-deprived wards in England. Doorstep Greens groups have raised £15 million of partnership funding (from public, private and charitable funds). We are investigating ways in which long-term maintenance of the Greens can be funded through endowments or other funding mechanisms.
- The Agency's Walking the Way to Health Initiative (WHI) has encouraged over 350,000 regular walkers on led health walks every week and the Learning and Skills Council has recognised WHI training as a national model and trained almost 20,000 volunteers as walk leaders. The Department of Health chose to work in partnership with WHI to carry out research into effective forms of physical activity via Local Exercise Action Pilots; and, subsequently, WHI was chosen as the agent for the rollout of pedometers to Primary Care staff promised in 'Choosing Activity'. Although Big Lottery funding came to an end on 31 March 2006, the British Heart Foundation will continue to support WHI as it is mainstreamed as a countryside activity delivering support to new and existing health walk projects across the country.
- The Agency's Sustainable Development Fund for Areas of Outstanding Natural Beauty (AONBs) was allocated to AONB partnerships for the first time this year. Partnerships typically received about £100,000 to assist with small-scale schemes and initiatives that supported both local communities and AONB purposes.
- The New Forest was confirmed as the latest National Park during the year, focusing on the core forest area with its surrounding ring of nationally important countryside.
- The Agency's Growth Areas teams have successfully raised the profile of the importance, value and benefits of green infrastructure to Sustainable Communities and achieved this through coordinating, supporting and promoting effective partnerships of government agencies, regeneration bodies, local authorities and voluntary organisations, across the Growth Areas, for example, by commissioning strategic plans for green infrastructure and research (e.g. rural impacts) in consultation with these partnerships.

**2005/06  
Performance  
Review**

4. The paragraphs below provide an overview of the aims and achievements within the strategic programmes for the year ending 31 March 2006. These strategic aims, objectives and desired outcomes (shown in bold) align with the Countryside Agency's Corporate Plan for the year, which forms the contract between the Secretary of State, the Agency Board and the executive body of staff whose job it is to implement it.

**Commission for Rural Communities**

**Thematic  
studies and  
inquiries**

- 5. OBJECTIVE: Produce in-depth evidence and analysis about existing and future issues affecting rural disadvantage, rural communities and businesses and to suggest creative ideas for policy and delivery solutions, in ways that are balanced, based on evidence from a range of sources, tested and incisive, so that policy and delivery is challenged and forward thinking.**

An inquiry on housing was completed. Dissemination of the results, other than to the Affordable Rural Housing Commission (ARHC), will be completed in June 2006. We have been able to inform the ARHC with practical experience and evidence from rural communities as a result of the inquiry. Independent evaluation concluded that our housing inquiry met its overall aims and objectives and played an important part in development of the CRC rural advocacy role. It added that the inquiry material "brought to life" the CRC's evidence to the ARHC and demonstrated the strength of feeling on this issue among rural communities.

Three thematic studies – on disadvantage, choice in service provision and land managers’ connections with rural communities – were launched during the year. The disadvantage study, due to report in June 2006, will provide CRC with an important baseline and will help prioritise future work programmes and indicate our policy priorities to government.

**Rural Expertise**

**6. OBJECTIVE: To provide a source of expert knowledge and advice about key policy topics affecting the quality of life for rural communities, people and businesses, particularly those suffering from disadvantage.**

We exceeded our first year target of nine research projects to fill gaps in the rural expertise evidence base, with projects including Wheels to Work, Housing in National Parks, Charters for Parish Councils and ‘Under the Radar’ on rural home-based businesses.

CRC responded to some 26 government and parliamentary select committee consultations during the year and worked with most of the ‘home’ government departments, for example, with Defra and ODPM on neighbourhood governance, with the Department for Education and Skills (DfES) on youth matters and with the DTI on rural post offices.

A report on our work on tackling social exclusion was published in May 2005. We also completed two evaluations of policy delivery, namely the impact of additional resources raised from council tax on second homes, and the extent of rural content in the draft second round of Local Transport Plans. Two further evaluations were commenced during the year – rural impacts of NHS Plan delivery and rural lessons from neighbourhood policing experience. As evaluations are completed, we have held seminars with the relevant departments and bodies representing those sectors to consider how to take forward the findings and deliver improved outcomes for rural communities.

**Evaluation and Analysis**

**7. OBJECTIVE: To support evidence-based policy development and delivery across government and others through relevant, independent, cross-cutting analyses and evaluations of rural inputs, outputs and outcomes and to monitor and report on performance in rural proofing at all levels of government.**

We have largely completed an initial ‘Rural Insights’ programme which integrates new, survey-based evidence with recent data collated via rural programmes in order to provide a clear, updated analysis of the views of people across rural England. Results of the initial programme will be summarised in a report to be produced early next financial year.

A final report from consultants on the presentation of independent expert advice on the state of rural evidence was published in April 2006. This is critical input into the development of the work of Defra and other government organisations.

Instead of the planned submission of material to the 2005 pre-Budget process, it was decided to focus on the 2006 Budget and pre-Budget report.

‘The state of the countryside report 2005’, providing an up-to-date and integrated ‘healthcheck’ for rural England, and a re-focused Rural Proofing Report 2005 were published. We are working with Defra, who are conducting a Rural Proofing stock take, in developing our future rural proofing objectives and roles.

**Best Practice and Innovation**

**8. OBJECTIVE: To ensure that lessons from good practice and innovative approaches to rural delivery in England and more widely are identified, evaluated and disseminated to policy-makers and rural delivery bodies, resulting in improvements in outcomes of efficiency, effectiveness and quality of services for rural communities and businesses.**

The strategy for our 'best practice' work was agreed by the CRC task group and criteria for defining best practice published. The first best practice event, council tax on second homes, was held. The CRC supported National Association of Local Council's (NALC) Community Empowerment Awards.

Regional relationships have been developed with the regional Rural Affairs Forums, Government Offices in the regions, Regional Development Agencies, and Regional Assemblies, with intelligence dossiers completed for each region.

A unique brand and identity have been established by the CRC, distinct from the Countryside Agency, in preparation for independence in October 2006. The planned independent monitoring system has been delayed, as further work is required on stakeholder analysis.

**Corporate governance**

**9. OBJECTIVE: To ensure the Rural Advocate, Board members and staff work effectively to deliver the Commission's remit, reporting regularly to a range of audiences on progress and assessing performance annually.**

Regular liaison has been established with the Rural Affairs Minister and our Defra sponsorship team to discuss strategy and planning throughout the first year of the CRC when it has operated as a division of the Countryside Agency. An important achievement was the agreement and circulation of the CRC purpose document or 'vision' which sets out, in plain English, the Commission's remit including what the CRC aims to do and how it will be achieved.

Development has begun on a governance framework with the sponsorship team, in line with Cabinet Office guidance, that can be taken forward when the CRC is vested as an independent Non Departmental Public Body (NDPB). Regular Project Board and project meeting reviews of CRC activity took place at quarterly intervals and a six-month review was conducted to draw out early lessons from the operating style of the Commission.

The Rural Advocate programme has been successfully conducted and a review undertaken to better target future activities of the Rural Advocate. A letter with headline findings will be sent to the Prime Minister and a letter highlighting implications of the single farm payment has also been sent to the Chancellor. A more detailed Rural Advocate report is planned for summer 2006.

A programme of staff induction and culture change was conducted during the year, including two all-staff conferences to familiarise staff with the aims and work programmes and introduce new ways of working. Following the announcement by the Secretary of State in July 2005 that the Commission should be located in a lagging rural area, a detailed study was undertaken in two phases to identify a location that would best fit the political and organisational objectives. A proposal was submitted to the former Secretary of State in March 2006 and a response, approving the opening of negotiations with the preferred location, has recently been received.



Preparations for the establishment of the Commission as an independent NDPB included the definition of corporate service requirements for the future Commission, along with an analysis of supply options. The outcome is that Defra have been confirmed as the preferred supplier of corporate services from the target date of October 2007 provided they can meet service requirements and deliver value for money. An in-house interim solution will be delivered throughout the transition period. Other preparations for vesting of the Commission have been undertaken as part of the CRC Project Plan and cover all the essential tasks required in the creation of a new NDPB, ranging from pay, pensions, audit arrangements to IT, security and other related matters.

**Landscape, Access and Recreation division**

**Conserving and enhancing our landscape through environmental, economic and cultural landscape activity**      **10. DESIRED OUTCOME: Designation and confirmation of new and modified protected areas to maintain and enhance the special qualities of the finest countryside.**

**New Forest National Park Authority**

The establishment of the National Park Authority is now complete with members and senior staff in place and operating across a full range of functions. The confirmation of a small section of boundary still needs to be resolved following the 'Meyrick' judgment of the High Court.

**South Downs National Park and AONB boundary review**

Good progress made towards the announcement and establishment of a South Downs National Park in the early part of the year was disrupted by the Meyrick judgment which challenged the Countryside Agency's and Defra's application of the statutory criteria for designation in relation to the New Forest National Park boundary. In these circumstances, the Secretary of State was not in a position to come to a view on the Confirmation Order and work has been put on hold. A new timetable leading to the announcement of the national park will be determined following the judgment of the Court of Appeal on the Meyrick case. Likewise, work on establishing likely candidates for the review of AONB boundaries and associated priorities was disrupted by the Meyrick judgement. The Board will not be taking any decisions on protected landscapes designation or review until the criteria for designation have been resolved through legislation and the courts. We have worked closely with Defra in clarifying designation criteria through the Natural Environment and Rural Communities (NERC) Act and through the Courts of Appeal.

**DESIRED OUTCOME: Relevant authorities fulfilling their statutory duties in respect of protected landscapes**

**AONBs**

We have allocated and managed grants to AONB partnerships amounting to some £10 million. These grants, covering the core functions and project plans of the partnerships provide a substantial lever for other partnership funds and, evident through our assessments, are greatly assisting the effective management of the AONBs. This year saw the introduction of a Sustainable Development Fund for each AONB: the funds are designed to assist generally small, community-based initiatives and have been very well received locally. The two Conservation Boards for the Chilterns and the Cotswolds have been fully and effectively established for their first full year.



**Encouraging awareness of, access to and enjoyment of our natural resources**

**11. DESIRED OUTCOME: New access rights in force and being used**

The Government's access Public Service Agreement target was met two months ahead of schedule, with the rolling out of the new public right to walk freely on access land throughout England completed in October. The new right was launched region by region, culminating in an event at Cannock Chase, attended by the then Rural Affairs Minister, Jim Knight.

The Agency's Access Management Grant Scheme awarded 90 grants, enabling management to be undertaken by access authorities covering 97% of the new access land in England. The development of a strategy to promote the voluntary dedication of land for public access has led to planning the pilot of demonstration projects with interested parties. A project to record other access rights was established.

A vision for achieving better access to the coast was agreed by the Minister, and Natural England partners have begun work to advise the Government on how best to achieve that vision. Four different study areas have been chosen for fact-finding about different types of coastline.

Information campaigns to broaden understanding of the countryside and new access rights continued, with the 'creature comforts' filler promoting the Countryside Code, and curriculum-linked education packs were sent to schools and voluntary groups. The countryside access website was redesigned and re-launched.

The access restrictions system was fully operational throughout the country and the Countryside Agency team has made decisions on all casework and appeals within legislative timescales. The website has provided up to date information for access land users and managers on which areas are subject to restrictions. An approach on reviewing the statutory guidance has been agreed with Defra.

Lessons learned from the project were submitted to Defra, along with recommendations for action to inform the decadal review. A monitoring programme has been put in place that will allow the impacts of the new access right to be assessed, and much work completed on the access mapping contract exit strategy.

**DESIRED OUTCOME: Barriers to outdoor recreation widely understood and being acted upon**

The Diversity Review was completed by December 2005 and accepted by the Minister, together with the Outline Diversity Action Plan in January 2006. The four action research projects will conclude their second year in August 2006 when an interim report on progress will be made by the evaluation team.

Action to incorporate diversity and equality across LAR has included:

- development of new standards for country parks which include accessibility for a diverse range of visitors
- guidance on disabled access widely shared across LAR
- Natural England's recreation strategy building on the review findings
- the draft Diversity Action Plan 'Outdoors for All?', looks across all LAR functions in coverage of tools for delivery of increased visitor diversity.

**DESIRED OUTCOME: Improved public health and well-being through physical activity and contact with outdoors**

**Walking the Way to Health initiative (WHI)**

The Agency's Walking the Way to Health initiative supports over 350 weekly led health walks schemes and has encouraged over 350,000 regular walkers to take part. National evaluation found that more than a third of participants were new to walking, increasing their levels of physical activity as a result. It was also found to attract participants from the 40-plus age group and particularly older women; who form the least active segment of the population and the least likely to take up other forms of activity. Adherence to the scheme by participants averages over 18 months, considerably longer than for most other forms of physical activity. Over 1 million people are thought to have had their awareness raised about the benefits of walking for health.

Following our successful step-o-meter campaign, the Department of Health has asked WHI to be their national partner in rolling out pedometer use to all the Primary Care Trusts in England, a commitment made in the Choosing Activity action plan. The national step-o-meter programme has been launched and is currently being rolled out.

We are working closely with NICE, the National Institute of Health and Clinical Excellence, to design a robust evaluation of this programme; and will shortly enter into discussion about suitable continuing evaluation for the Health Walk programme.

The Learning and Skills Council recognised WHI training as a national model in 2004 and the service has gone on to train almost 20,000 volunteers as walk leaders. Volunteer Walk leaders are the backbone to the project and the key to the success of WHI in its continuing development of sustainable health walk schemes across the country.

The WHI team will build on this foundation to submit a bid to the Wellbeing Fund of the Big Lottery Fund for Green Exercise for which stage 1 will be submitted in the fast-track process in June 2006.

**Local Exercise Action Pilots (LEAPs)**

The Department of Health chose to work in partnership with WHI to carry out research into effective forms of physical activity via Local Exercise Action Pilots; and subsequently WHI was chosen as the agent for the rollout of pedometers to Primary Care staff promised in 'Choosing Activity'. Two evaluations reports published in February 2006 showed that WHI has been particularly successful at reaching elderly women, the least active section of the population. Although Big Lottery funding came to an end on 31 March 2006, the British Heart Foundation will continue to support WHI as it is mainstreamed as a countryside activity, delivering support to new and existing health walk projects across the country.

**DESIRED OUTCOME: National Trails providing high quality, long distance routes**

Work continues to be on target towards the official opening of the Cotswold Way on 24 May 2007. Construction of the southern section of the Pennine Bridleway through the Yorkshire Dales and up to the Fat Lamb Inn in Cumbria continues and we are still working to secure partnership funding for the northern section to Brynness. Recent bids to RDA and Living Landmarks Lottery Fund have, unfortunately, been unsuccessful.

A user survey carried out across all English Trails in summer 2005 showed that 95% of users were fairly or very happy with their 'trail experience'. The full report is published on the National Trail website and areas for improvement highlighted for use in forthcoming business planning.

Annual conditions monitoring by National Trail Officers has been carried out and published. Work on improving Ridgeway surface is virtually complete with traffic restriction orders in place to protect investment and the improved surface. Work continues to ensure that surface does not deteriorate again.

**DESIRED OUTCOME: Recreation managers equipped to meet present day demands for outdoor recreation****Improvements to rights of way good practice website (PROWGPG)**

The PROWGPG was redesigned, updated and re-launched to serve practitioners with up to date advice and information and good practice guidance. It has been transferred to the Institute of Public Right of Way (IPROW) website to give it ownership in the long term although continued support will be needed so it covers all areas of the profession's needs.

**Country parks network**

Continued use of country parks network by 90% of country parks' managers has been achieved and will continue to be reviewed as part of a new two-year contract with the Civic Trust from November 2005 to October 2007. The Country Parks Network has provided practitioners with a voice and opportunity to learn from each other, both actions identified as needs in the Country Parks Renaissance report. Good practice is shared on the website and an interactive learning portal was in development to be launched in May 2006.

**Recreation managers' skills and training needs reviewed**

This was offered up as part of the Defra savings and deferred to 2006/07.

**Rights of Way Improvement Plans (ROWIP)**

The ROWIP Implementation Grant programme was ready to be launched in the regions by June 2006 and although more than 10 local authorities were allocated grants and at least 50% match funding was achieved, there were regional differences. There were also delays in local highway authorities getting their ROWIPs to draft stage. Consequently the first year should be seen as a pilot for future.

**Challenge Fund launched to support 10 country park innovative projects**

The Challenge Fund was launched in the regions by July 2005 following the success of a pilot project. Take-up was restricted to three regions.

**DESIRED OUTCOME: Outdoor recreation promoted and encouraged  
Joint programme to develop a new recreation strategy for Natural England**

We established a joint working group with English Nature, Rural Development Service (RDS), Defra and the Forestry Commission and having agreed the scope and process for developing a joint strategy on outdoor recreation for Natural England, commissioned trends analysis and focus group research. The research resulted in five discussion papers which are available on the Countryside Agency website. Taking into account the research findings we have drafted the strategy paper ready for consultation.

**Business case to develop a National Countryside Access Database**

We have secured commitment from Natural England to prepare a dynamic, web-based source of information on opportunities to enjoy the outdoors and plan to develop this as a joint venture with a wide range of partners and stakeholders including the Forestry Commission and the Environment Agency.

**Evidence base on outdoor recreation strengthened through England Day Visits Survey carried out in 2005**

This survey of trips by residents in England – whether a half-hour local walk or an all day visit to a theme park – was completed in January 2006 and a report is in preparation for publication in July 2006. The survey will provide information on the number of overall visits to town, countryside and seaside, the characteristics of visitors, visits and the value of expenditure during trips. It will also provide baseline information on visits to the new open access land, and also a measure of visits to National Parks.

**DESIRED OUTCOME: Discovering Lost Ways**

The lead phase in the Discovering Lost Ways project has been extended from two to four counties. Work continues on completing the trawl of these initial four counties for evidence of lost ways. A review of the pilot research method is being carried out and the research method is being adapted as required for moving forward.

Work continues on establishing the Agency policy and delivery framework for turning research into routes. Initial claims will be put to local authorities in the lead phase counties following the transfer into Natural England.

**DESIRED OUTCOME: Development of multi-functional landscapes in the countryside in and around towns which benefit both town and country by exploiting their interdependencies****Our vision for countryside in and around towns (CIAT) initiated in every region**

Each Countryside Agency region has begun applying the CIAT vision, identifying how and where the CIAT can contribute to meeting regional agendas for sustainable development and regeneration. Whilst being tailored to different regional circumstances the work always follows four broad steps – the creation of a regional partnership, a 'stocktake' of current CIAT land uses and activities, influencing relevant strategies and plans, and establishing exemplar schemes. The principle of 'multifunctionality' (the integration and interaction of different uses on the same piece of land) is central to all this activity and a key component of sustainable development. CIAT is at the leading edge nationally in demonstrating what this means in practice.

**Application of vision toolkit in every region**

Part of the Countryside Agency's web site has been restructured to provide an easily accessible and updatable repository for all the Countryside Agency's research on the CIAT, together with evidence and good practice. This constitutes a 'toolkit' for those who need help in building a case for intervention in their regional or local CIAT, and for project managers, practitioners, planners and developers. This web-based resource will continue to be developed and added to during 2006/07.

**Area Action Plans**

We have supported a number of initiatives designed to show how Area Action Plans (AAPs) could be applied to the CIAT. AAPs are intended for areas of 'conservation or change', which makes them especially applicable to the CIAT. The material generated by this work will be well placed to influence and inform statutory AAPs once the local planning authorities in the areas concerned have graduated to the new planning system. One example is the Southern Development Area of Swindon, a significant urban extension which will impact on the North Wessex Downs Area of Outstanding Natural Beauty. Here we have supported the production of a draft AAP, highlighting how the environmental and recreational value of the area could be protected and enhanced within the context of new development, and a methodology for identifying the green infrastructure needs of the area.

**Final Community Forest evaluation**

Evaluation of the first 15 years of the Community Forest programme highlighted the many benefits delivered via the forest partnerships and concluded that the programme had offered good value for money. Lessons highlighted in the report were disseminated and discussed at an ODPM/Defra/Forestry Commission seminar in November 2005. This marked the end of Countryside Agency's lead responsibility for the programme but provided a baseline for future work in the countryside in and around towns and a robust evidence base for the Forestry Commission's continued input and leadership.

**Regeneration through Environmental Action (REACT) projects**

The Countryside Agency's REACT programme has demonstrated how a strategic approach to the environment can be linked to government-supported, area-based initiatives. Taking a lead from the Rural White Paper (2000), the seven pilot projects have shown how the community forest approach can be used to assist with the implementation of other regeneration initiatives. For example, REACT, working with Sure Start, achieved a fostering of early childhood development using local countryside, and in delivering social benefits to parents and young children in disadvantaged communities.

**North East Land Link project**

North East Land Links (NELL) is a Countryside Agency initiative hosted by the North East Community Forests. It completed its work in 2005/06 and successfully mainstreamed work on Green Exercise and local food procurement as part of the work on land management and its involvement of urban populations. As a result of NELL, a regional green exercise working group has been established with broad membership from environmental agencies and the health sector which has identified a pilot programme of work in three Gateshead wards with high deprivation indices. Funding from the Countryside Agency and Sport England for 2006/07 for a pilot project that will identify the barriers and opportunities to increase participation in informal green exercise by individuals from groups that do not routinely engage in this type of activity to increase their participation and thereby improve their health and well being. The local procurement work has resulted in a two-year post for a regional co-ordinator for Public Sector Food Procurement Initiative to be hosted in the North East Centre of Excellence and funded by One North East.

**Doorstep greens**

Doorstep Greens began in April 2001 with the aim of creating 200 green spaces that are safe, secure, accessible to all and close to people's homes. The impetus comes from the local communities that they will serve, with an additional aim that by taking part in the projects, communities become more sustainable. By the end of 2006 there will be 194 completed greens.

In the year ending 31 March 2006, £4 million was claimed by Doorstep Greens groups, bringing to £9 million the total paid out to groups since the initiative began. In addition more than £14 million has been raised by groups as match funding. In April 2006 the Doorstep Greens lessons-learned publication 'Opening Green Doors' was launched in conjunction with the BTCV.

Regular meetings are held with Big Lottery Fund. We are formulating legacy arrangements for the residual issues that may arise when the scheme has finished.

**Influencing policy and action**    **12. DESIRED OUTCOME: Land management and rural development policies and delivery mechanisms making an improved contribution to sustainability**

**Europe's agricultural, forestry and rural development policy contributing to more sustainable landscapes**

A research project "Europe's Living Countryside" reviewed implementation of the Rural Development Regulation across Europe. Best practice examples were published in a manual "Rural Development Environmental Programmes", aimed at influencing the drafting of new rural development programmes. The manual was endorsed by the Director General for Agriculture and launched at a seminar in Brussels. Lessons from the project were disseminated to national and regional audiences in England.

Landscape training events were held for agri-environment scheme advisers. Take up among private sector advisers was lower than anticipated – the length of the course (2 days) appears to have been a disincentive.

Advice was provided to Defra on a number of agricultural, forestry and environmental policies, most notably the structure and content of the new Rural Development Programme for England and the review of the Environmental Impact Assessment for uncultivated land and semi-natural areas.

**DESIRED OUTCOME: Market mechanisms delivering enhanced landscape and other benefits.**

The lead phase in the Discovering Lost Ways project has been extended from two to four counties. Work continues on completing the trawl of these initial four counties for evidence of lost ways. A review of the pilot research method is being carried out and the research method is being adapted as required for moving forward.

A guide was produced with Forestry Commission, aimed at helping owners of small woods to market their products more effectively, thus ensuring an economic return from these landscape features.



**DESIRED OUTCOME: Countryside Agency planning principles reviewed and refined and new principles pioneered to reflect LAR interest in development, which makes a positive contribution to the quality and character of the countryside.**

During the year, we evaluated the planning principles that have underpinned our work for the past five years and found that they have generally worn well. Having reviewed these principles, we contributed them with confidence to a wider discussion on planning principles for Natural England. In parallel, we have been working on policy lines and exemplars for sustainable transport, energy - particularly renewable energy - and sustainable design.

Central funding for the Community Renewables Initiative has been secured from the Countryside Agency, DTI, Defra and the Forestry Commission for 2006/07. The Countryside Agency will cease its central management and co-ordination role from 1 July 2006, when co-ordination will be handed on to a new contracted body. The central funders, who form the CRI steering group, will continue to work towards developing and supporting an appropriate future for the initiative, ensuring that it remains in line with national policy and delivers against regional strategies and targets.

**DESIRED OUTCOME: Countryside Agency/LAR planning principles embedded in national, regional and local policy and practice.**

The year saw a steady integration of our planning advisory work with that of English Nature and the Rural Development Service to form, wherever possible, a 'Confederation view'. We have been working to embed our planning principles in the plans and policies of others at national level through emerging government policy and the plans of national agencies, at regional level, particularly through influencing Regional Spatial Strategies and at a local level through engagement with some 450 Local Development Frameworks and their associated sustainability appraisals. We do not have a statutory role in development control so our work at a site-specific level is limited. We did, however, contribute to the major public inquiry into a wind turbine proposal at Whinash in Cumbria.

**DESIRED OUTCOME: Landscape principles, methods, tools and advice developed and applied everywhere**

Information and experiences of landscape policy and practice were exchanged with English Nature and RDS in order to develop a common framework for landscape in Natural England and an internal strategy paper was produced. Scoping work was undertaken for two regional landscape strategies, aimed at influencing regional economic strategies.

Research was undertaken to review the use and application of Local Landscape designations. The outcome of this work will be used in 2006/07 to inform future policy advice.

A literature review of the environmental, economic and social drivers behind landscape change was undertaken. This will be used to inform the development of a landscape futures project in 2006/07.

The research project to monitor changes in agricultural landscapes, begun in the 1970s, has been updated and will be published at the 2006 Royal Show.

The methodology for the indicator of change in landscape character has been revised and subject to consultation within the professional landscape community. The indicator covering the period 1999 - 2003 will be issued in November 2006.



**DESIRED OUTCOME: The outstanding interest of all Inheritance Tax (IHT) exempt estates conserved and agreed public access secured.**

Advice was provided to Her Majesty's Revenue and Customs on whether land would qualify as being exempt from capital taxation on account of its outstanding scenic quality, together with advice on the conditions that should apply to such land. All quinquennial inspections planned for 2005/06 were completed, with annual reports validated and returned to Her Majesty's Revenue and Customs.

**DESIRED OUTCOME: Growth Areas utilising the sustainable development approach to deliver economic, social and environmental gains**

Working with English Nature, we made a major input to the East of England Regional Spatial Strategy and to preparatory work for strategies on East Midlands Growth Areas and to overall plans for Ashford. We prepared advice for appraisal of regeneration frameworks in the Thames Gateway.

We continued to promote techniques through a series of high profile launches and presentations to individual firms and developers. There has been take-up of techniques in sites in Essex, Thames Gateway, around Peterborough, and elsewhere in the London-Stansted-Cambridge growth area; and a series of demonstration Concept Statement workshops is being run in all growth areas. We also provided assistance with community consultation, with special focus on young people in the Thames Gateway in Kent and Essex.

Strategic green infrastructure partnerships have been set up and run in the Thames Gateway, Milton Keynes, Harlow, Cambridge, Bedford-Luton and Ashford. Important follow-up work to the Greening the Gateway Conference through workshop and advice delivered at the Thames Gateway Forum. £2.5 million of government funding was secured for Green Arc in London/Hertfordshire/Essex and the project team was appointed. We influenced and assisted in the allocation of some £15million of government greenspace funding for growth areas.

**Providing a robust evidence base – through social and scientific research and experimentation**      **13. DESIRED OUTCOME: Establishment of LAR as an authoritative, effective organisation through the use of robust research and evaluation**

Work on a LAR research strategy has been incorporated into Natural England's research strategy. Specific outputs are: Confederation Statement on Science, Research and Evidence, Draft Natural England SRE Strategy and LAR Research Database.

A series of workshops in autumn 2005 followed the Executive's approval of a revised LAR Evaluations Framework. Working in partnership with Defra, English Nature and the Planning Inspectorate, a formal project board was set up to oversee the scoping of a full outcome evaluation for the Access to Open Country and Registered Common Land programme. The scoping exercise continues. There was close liaison with other LAR teams engaged in evaluation of their programmes, including Countryside In and Around Towns and the Diversity Review.

**Developing our capacity – External funding**     **14. DESIRED OUTCOME: Improved informal recreation opportunities and enhanced landscapes in areas subject to past and present aggregates extraction**

The Countryside Agency's Aggregates Levy Sustainability Fund has supported 30 new projects across England totaling £1.6 million and has engaged a wider range of stakeholders in prioritising ALSF funding decisions.

We have integrated our programme with English Nature's in preparation for the move to Natural England and jointly hosted a high-profile influencing event involving the Minister and key national stakeholders in London.

We have input into reviews looking at the future of ALSF, which should provide business opportunities for NE further downstream.

**Enabling LAR to deliver**     **15. DESIRED OUTCOME: Effective and efficient business planning and performance reporting systems, that ensures optimal deployment of resources to deliver LAR's strategic aims and objectives**

There has been effective and efficient business planning and delivery of performance reporting systems in LAR, handling a very changeable and uncertain climate and allowing us to deliver all of our major corporate plan objectives for the year.

**DESIRED OUTCOME: Effective and efficient delivery of activity to underpin the evolution of Natural England**

The development of Natural England accelerated during 2005/06, culminating in the appointment of the CEO and Executive Directors. During the year LAR officers were involved in the evolution of NE structures, governance arrangements and corporate strategy, as well as working on specific strategies including recreation, education, coastal access, countryside in and around towns and science and evidence. The Living Landscapes team also worked closely with confederation partners to ensure agreement on adoption of the European Landscape Convention for NE, amongst other activity.

The regions were heavily involved in devising new structures at regional and local level and we formed a network of change agents to ensure staff were kept abreast of all developments.

On the whole LAR transition to NE has been successful with Natural England's Strategic Directions 2006-09 amply reflecting the LAR agenda moving forward and upholding our statutory responsibilities.

## **Communications**

### **Stakeholder Segmentation**

Focusing of LAR communication activity ensured that we remained effective in promoting our work and influencing key stakeholders over the transition period. Specific audiences and stakeholders were targeted at both national and regional level. In preparation for the establishment of Natural England, a process of stakeholder segmentation was initiated to improve our databases and guide future stakeholder engagement work. Close working with our confederated partners ensured that our messages and priorities will be embodied in the communication strategies and stakeholder engagement strategies of Natural England.

**Regional Rural Development Frameworks**

The Rural Strategy 2004 has a strong focus on devolving delivery of rural policy to regions and required the preparation of Regional Rural Delivery Frameworks. Both CRC and LAR have worked closely with a range of partners at national, regional and local level to investigate rural delivery mechanisms. We have supported rural Pathfinder projects, such as in Hampshire, which is testing new approaches and identifying new opportunities for rural delivery.

**Rural Affairs Forums (RAFs)**

The Countryside Agency played a major part in setting up the RAFs and worked closely with the Government Offices in the regions to review their function and operations. Both CRC and LAR have established effective mechanisms to input into and influence the Rural Affairs Forums.

**Corporate Division****16. Enabling the organisation to deliver**

New Corporate Division management and structures were established for this financial year with the challenge for all teams being to meet the demands of maintaining service and contributing to the projects for the new organisations. The uncertain future for corporate staff was reflected in staff turnover, with increasing use of short-term and agency staff.

**Maintaining normal service**

Corporate Support functions continued to provide support to the Executive and Board and specific achievements include: the 2005/06 Corporate Plan signed off, a Board seminar on risk held and inductions for new Board members completed. Regular and ad hoc reporting to Defra was delivered and the 2006/07 CA Corporate Plan for the half-year was developed and coordinated with Natural England and the Commission for Rural Communities. Corporate Governance dissolution planning was identified as a separate task and increased risk reviews put in place.

IT Services achievements for the year included: improvements to software to reduce junk email and to manage internet access; a major laptop rollout was completed on schedule and improved system speed; and an ongoing improvement programme for the helpdesk.

Outsourcing of the payroll service was completed with management moving to HR from Finance and teething problems resolved; the percentage of electronic payments has been maintained at around 98%; and a new end of month spend report enabled timely action for the quarter 3 and quarter 4 forecasting work across the Agency.

Although without a Head of HR for the majority of the year the HR team has improved recruitment processes, including devolution to a regional level, and headcount reporting. Training delivery continued throughout the year with additional funding agreed to provide all CA staff with access to support and development training during the transition period.

Estates and Facilities Management delivered an office reorganisation within John Dower House that brigaded CRC and LAR teams. Other office changes include closure of the Penrith office, relocation of the Telford office and the successful move of the London office to Portland House. A completely revised Agency-wide emergency plan was prepared and issued; and all property information recorded on the Office of Government Commerce Electronic Property Information Service intranet in line with government guidelines.

Local Heritage Initiative was reported and managed during the year as part of the Corporate Division.

By the end of 2005/06, 243 LHI awards were made against an original target for the year of 220. With agreement we were able to exceed the original budget by £450,000, resulting in an overall grant commitment of nearly £4.5 million of Heritage Lottery Funding (HLF). We have made a total of 20 Nationwide Building Society awards during the year, reaching a total NBS commitment of circa £67,000.

Overall totals for the LHI programme from 2000 – 2006 stand at:

LHI Grant awards: 1324  
HLF total funds committed: £20,918,000  
NBS awards: 194  
NBS total funds committed: £592,180

We successfully negotiated a permanent home for the LHI Project Directory database. National Digital Archive of Datasets (part of the National Archives) will take this section of our website in August 2006.

We have increased our PR profile as we gained clarity over closure. Three visits to projects by members of the Royal Family have given us increased media presence reflecting on the good practice from the programme.

We have provided support to HLF as they review their small grants programme. Internal recommendations suggest the adoption of several LHI processes as good practice. In addition we have worked with the Institute of Public Policy Research as part of their research paper 'From Access to Participation' which advocates the setting up of an Arts version of LHI.

It was with regret that the Board agreed that the Initiative should close at the end of September 2006.

**History and statutory background**

17. The Countryside Agency was established as a body corporate on 1 April 1982 in accordance with the provisions of Schedule 13 of the Wildlife and Countryside Act 1981 to exercise the functions conferred on it by the National Parks and Access to the Countryside Act 1949, the Countryside Act 1968, the Local Government Act 1974, and the Wildlife and Countryside Act 1981.

Its name was changed from the Countryside Commission on 1 April 1999 when functions of the Development Commission under section 1(3) and its powers under section 1(4) of the Miscellaneous Financial Provisions Act 1983 Act were transferred to the Countryside Agency embodied in a Transfer Scheme made under Section 34(1) of the Regional Development Agency (Transfer of Functions and Miscellaneous Provision) Order 1999.

**The Countryside Agency's business**

18. The Countryside Agency has the following statutory functions:

- To keep under review and advise the Government on all matters relating to:
  - the social and economic development of rural areas;
  - the conservation and enhancement of the natural history and amenity of the countryside;
  - the need to secure public access to the countryside for the purposes of open-air recreation;
  - the provision and improvement of services for the enjoyment of the countryside.
- To carry out, or assist others to carry out, measures likely to further social and economic development.
- To provide financial assistance towards expenditure in the public and private sector which helps achieve any of the conservation and recreational objectives.
- To undertake or promote experimental schemes, developing or demonstrating new techniques in conservation and recreational management.
- To designate national parks, AONBs, country parks and long distance routes.
- To exercise powers and duties under the Countryside and Rights of Way Act 2000, to open land for public access, to improve rights of way networks and to strengthen AONB management.
- To inform the public about their rights and responsibilities in the countryside (e.g. the Countryside Code).

The Countryside Agency is the leading source of rural expertise, working to make the quality of life better for people in the countryside and the quality of the countryside better for everyone. We aim to achieve the following outcomes:

- empowered, active and inclusive communities;
- high standards of rural services;
- vibrant local economies;
- all countryside managed sustainably;
- recreational opportunities for all;
- realising the potential of the urban fringe.

We pursue these aims, partly by influencing those whose decisions affect the countryside, through our expertise, our research and by spreading good practice by showing what works. We have also taken the lead directly ourselves, implementing specific work programmes, reflecting priorities set by Parliament, the Government and the Countryside Agency Board.

The Countryside Agency is sponsored by the Department for Environment, Food and Rural Affairs (Defra). Our principal customers include Defra and other government departments, local authorities and a range of regional and sub-regional bodies, including the Regional Development Agencies and voluntary bodies such as the Rural Community Councils. We also have strategic partnerships and co-sponsorship agreements with the Nationwide Building Society, the British Heart Foundation, English Nature, English Heritage, the Forestry Commission, the Big Lottery Fund and the Heritage Lottery Fund.

The Countryside Agency is headquartered in Cheltenham, and other offices are in London, Newcastle, Leeds, Manchester, Bingham, Birmingham, Cambridge, Bristol, Penrith (until June 2005), Telford, Exeter and Maidstone.

In anticipation of transition to new organisations the Countryside Agency planned and managed its work under various strategic programme themes within three main divisions with sub-categories designated in the Corporate Plan as aims:

#### **Commission for Rural Communities**

- Thematic Studies
- Rural Analysis
- Rural Expertise
- Best Practice and Innovation

#### **Landscape, Access and Recreation**

- Living Landscapes: all countryside managed sustainably
- Wider Welcome: recreation opportunities for all
- Countryside for Towns: realising the potential of the urban fringe.

Living Landscapes and Countryside for Towns were merged partway through the year, mainly due to the need to re-brigade staff resources.

#### **Corporate**

- Corporate Services – equipping the Agency to deliver
- Corporate Support – effective Corporate Governance

**Accounts Direction** 19. The Agency is mainly financed by Grant-in-aid. The accounts are prepared in accordance with the direction on annual accounts, which is determined by the Secretary of State for Environment, Food and Rural Affairs, with the approval of the Treasury.

**Results and appropriations** 20. In conducting its activities the Agency complied with the guidance laid down in its Financial Memorandum issued in October 2004. The revenue expenditure (including depreciation) of the Agency totalled £81,010,000. The gross income in respect of revenue expenditure, including direct Grant-in-aid of £66,487,000 amounted to £80,748,000 leaving an operating deficit for the year of £ 262,000. The Countryside Agency reports a retained deficit of £992,000 carried forward to 2006/07.

In addition to any voluntary pension contributions made by members and staff, the Agency makes payments to meet its liabilities under the Principal Civil Service Pension Scheme, in respect of pensions for those who are or have been in the service of the Agency. These payments amounted to £2,450,000 for 2005/06.

**Going concern** 21. The balance sheet at 31 March 2006 shows net liabilities of £992,000. This reflects the inclusion of liabilities falling due in future years that, to the extent that they are not to be met from the Agency's other sources of income, may only be met by future grants or grants-in-aid from the Agency's sponsoring department, Defra. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.



Grant-in-aid for 2006, taking into account the amounts required to meet the entity's liabilities falling due in that year, have already been included in the Department's Estimates for that year, which have been approved by Parliament, and there is no reason to believe that the Department's future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

**Future developments**

22. The Government published its Rural Strategy 2004 in July 2004. This built on the evidence and recommendations in Lord Haskins' Rural Delivery Review, commissioned by the then Secretary of State Margaret Beckett and published in October 2003.

Defra's Modernising Rural Delivery (MRD) programme builds on those elements of the Lord Haskins' review accepted by the Secretary of State and, importantly, the decision by the Secretary of State to reject Lord Haskins' recommendation that the work of the Countryside Agency should cease. Instead, the Agency's current work is to be transferred to two new Non-Departmental Government Bodies. The Commission for Rural Communities will become a new self-standing body. The Landscape, Access and Recreation division will become part of Natural England along with English Nature and parts of the Rural Development Service of Defra.

Legislation required for the creation of Natural England and the Commission for Rural Communities – in the form of the Natural Environment and Rural Communities Act – received Royal Assent on 30 March 2006. Vesting day for the new organisations is planned for 1 October 2006 at which point the Countryside Agency will cease to exist. Work is in hand to ensure the orderly transfer of personnel and assets to the new organisations and dissolution of the Countryside Agency

In line with the Rural Strategy, the Agency ceased to deliver socio-economic programmes from the start of April 2005 when responsibility for these was transferred to the regional development agencies and government offices in the regions. In the light of this and changes to be brought about by the legislation, the organization was restructured in April 2005 into three main divisions:

- The Commission for Rural Communities division, with a particular focus on tackling disadvantage, as the national expert rural adviser, rural advocate and independent watchdog. It is planned that this will become an independent non-departmental public body in October 2006.
- Landscape, Access and Recreation division, which works as part of a confederation with our partners, English Nature and the Rural Development Service, regionally and nationally, as it moves towards the establishment of an integrated agency, Natural England, in October 2006.
- Corporate division, which provides services to the Agency as a whole, including support for the Board, corporate planning, finance, IT services, human resources and facilities management.



<b>Agency Members</b>	<p>23. Dr. Stuart Burgess    Chairman  Pam Warhurst    Deputy Chairman  Dr. Tayo Adebowale  Kate Ashbrook  Professor Sheena Asthana  Richard Burge  Dr. Jim Cox  Peter Fane  Norman Glass  Anthony Hams  Rt. Rev. Graham James  Howard Petch  Professor Mark Shucksmith  Professor Philip Lowe  Alison McLean  John Varley  Professor Michael Winter</p>
<b>Register of interests</b>	<p>24. A register of the interests of the Agency members, as well as for senior staff, is maintained. A copy of the register can be accessed on the Countryside Agency website at <a href="http://www.countryside.gov.uk">www.countryside.gov.uk</a>.</p>
<b>Equal opportunities</b>	<p>25. The Countryside Agency is an equal opportunities employer. The Agency is committed to promoting equal opportunities for its entire staff and welcomes applications for employment from all sections of the community.</p> <p>The Agency is committed to positive action to enable all individuals to develop their full potential. The Agency will try to ensure that staff numbers at all levels include, as far as possible, men and women of all ages, staff of ethnic origin and people with disabilities.</p> <p>Positive action is not positive discrimination. However, the Agency recognises that tackling discrimination is an important task and that the promotion of equal opportunities involves more than a commitment to remove discrimination particularly in creating opportunities for people with disabilities who may need special equipment, access or other facilities.</p> <p>In 2005/06 the number of disabled persons employed by the agency was nine.</p>
<b>Employee involvement</b>	<p>26. The Countryside Agency involves employees through the Agency's Joint Partnership Committee (JPC), which brings together representatives of the management and trades unions in a working environment. The meetings of the JPC were chaired by a director and are held, on average, every three months. The nominated Board representative attends the annual general meeting of the JPC. Topics discussed within the committees, sub-committees and working parties include: organisational change, performance management, pay, health and safety, facilities time and data protection. The partnership agreement between the Agency and its unions – Prospect and PCS – aims to achieve a closer working relationship between employees, their representatives, senior management and the Agency Board.</p>
<b>Greening operations</b>	<p>27. In accordance with our greening government operations policy statement and improvement programme the Agency continues to ensure staff take an active part in waste minimisation and energy reduction schemes. In addition there is a Countryside Agency travel strategy to increase the use of public transport and reduce the use of the private car.</p>

**Payment of creditors**      **28.** The Agency follows the Better Payment Practice Code. It has published its payments policy in the document 'Service First'. The Agency aims to pay all invoices, from suppliers and contractors, prepared in accordance with the order or contract within 20 working days of receipt, compared to Government guidance of 30 days. Claims for grant aid are normally paid within 20 working days if no site visit is required, or, if a visit is necessary, within 20 days from that date. The Agency succeeded in paying 92% of invoices and grants within 20 days of receipt, and 95% within 30 days. The average number of days to pay invoices was ten days from receipt for the year ended 31 March 2006.

**Open Government**      **29.** The Countryside Agency complies with the Open Government Code of Practice on access to Government Information.

**Auditor**      **30.** Under Schedule 13 of the Wildlife and Countryside Act 1981, the Comptroller and Auditor General is required to examine, certify and report on the statement of accounts and lay copies of it, together with his report, before each House of Parliament. External audit fees of £39,000 were incurred in respect of 2005/06 (£37,000 2004/05). No further fees were paid to the National Audit Office during the year for consultancy work.

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

Graham Garbutt  
Chief Executive  
3 July 2006

Stuart Burgess  
Chairman  
3 July 2006

## REMUNERATION REPORT

### Remuneration Policy

The pay of senior managers is determined by analogy to that of the Senior Civil Service (SCS). Performance related pay is against a matrix as determined by the Senior Salaries Review Board. Performance is measured against delivery of the Corporate Plan outputs combined with performance against the SCS competency framework and agreed with Defra.

Pay awards for directors, comprising both annual increases and bonuses, are decided by the Director's Pay Committee, the members of which are:

Stuart Burgess (Chairman)  
Pam Warhurst (Committee member)  
John Mills (Committee member representing Defra)

During the year the Committee awarded bonuses between 5% and 8% of salary.

### Service Contracts

#### Directors

Directors are appointed on merit on the basis of fair and open competition. Unless otherwise stated below all directors are employed under permanent contracts.

Graham Garbutt was appointed Chief Executive in the year under a fixed term contract that expires on 30 November 2006.

All appointments to the board are made on behalf of the Secretary of State for Rural Affairs. These appointments are made in accordance with the Code of Practice for Ministerial Appointments to Public Bodies issued by the Office of the Commissioner for Public Appointments (OCPA).

#### Board Members

Agency members are normally appointed for terms of three years, unless an extension of contract is granted. Members shall not hold office for less than one year, unless the Secretary of State terminates the appointment for any of the following: physical or mental incapacity, absence from six consecutive meetings of the Agency unless approved and unfitness to discharge duties.

After completion of the first year of office the Secretary of State may also terminate a member's appointment upon giving three months notice in writing. Members may resign office by giving not less than one-month notice in writing to the Secretary of State.

The Chairman (Dr. Stuart Burgess) is contracted to a time commitment of 4 days per week. The Deputy Chairman (Pam Warhurst) is contracted to a time commitment of 3 days per week. All other Board Members are contracted to a time commitment of four days per month, with an additional half day per month with those with responsibility in relation to National Parks.

On 1 April 2005, Rural Affairs Minister Alun Michael appointed Professor Sheena Asthana, Richard Burge, Dr Jim Cox, Howard Petch, Professor Mark Shucksmith and Professor Michael Winter to the Board of the Countryside Agency.

**Salary and pension entitlements****Remuneration****Directors**

	2005/06		2004/05	
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind (to nearest £100)
Graham Garbutt (Chief Executive) From 1 October 2005	55 -60 (110-115 full year equivalent)	-	N/a	N/a
Margaret Clark (Acting Chief Executive until 1 October 2005)	90 - 95	-	85-90	-
Andrew Wood	85 - 90	-	60-65 (75-80 full year equivalent)	-
Barbara Fletcher (From 1 June 2005)	50 - 55 (60 - 65 Full year equivalent)	-	-	-
Tracey Slaven (until 31 October 2005)	45 - 50 (75-80 full year equivalent)	-	70-75	-
Tim Lunel (Until 31 May 2005)	15 - 20 (70 - 75 full year equivalent)	-	65 - 70	-
Brian Wilson (Until 1 October 2005)	30 - 35 (60 - 65 full year equivalent)	-	15-20 (60-65 full year equivalent)	-
Richard Wakefield	0-5	-	80-85 (110-115 full year equivalent)	-

**Members**

	2005/06		2004/05	
	Salary, including pension contributions £000	Benefits in kind (to nearest £100)	Salary, including pension contributions £000	Benefits in kind (to nearest £100)
Dr. Stuart Burgess <i>Chairman</i>	80 - 85	-	30 - 35	-
Pam Warhurst <i>Deputy Chairman</i>	45 - 50	-	45 - 50	-
Dr. Tayo Adebawale	15 - 20	-	20 - 25	-
Kate Ashbrook	15 - 20	-	20 - 25	-
Professor Sheena Asthana	10 - 15	-	N/a	N/a
Richard Burge	10 - 15	-	N/a	N/a
Dr. Jim Cox	10 - 15	-	N/a	N/a
Peter Fane	15 - 20	-	15 - 20	-
Norman Glass	10 - 15	-	5 - 10	-
Anthony Hams	15 - 20	-	20 - 25	-
Rt. Rev. Graham James	10 - 15	-	5 - 10	-
Howard Petch	10 - 15	-	N/a	N/a
Professor Mark Shucksmith	10 - 15	-	N/a	N/a
Professor Philip Lowe	5 - 10	-	5 - 10	-
Alison McLean	10 - 15	-	5 - 10	-
John Varley	10 - 15	-	5 - 10	-
Professor Michael Winter	10 - 15	-	N/a	N/a

**Salary**

'Salary' includes gross salary; performance pay or bonuses; overtime; recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation.

**Benefits in kind**

The monetary value of benefits in kind covers any benefits provided by the Agency and treated by HM Revenue and Customs as a taxable emolument.

**Pension Benefits****Members**

The members of the Agency, except the Chairman, are not members of any pension scheme and no contributions are paid towards an individual's personal pension plan.

The Chairman has a personal pension scheme by analogy to the Principal Civil Service Pension Scheme (PCSPS). The Chairman's remuneration includes £16,298 of pension contributions. The Chairman's pension increased in real terms by £1,102 in the year. As at the year-end total accrued pension at age 60 was £1,467. During the year the CETV increased from £ nil to £ 26,434 with a real increase as funded by the employer of £17,538.

**Directors**

	Accrued pension at age 60 as at 31/03/06 £000	Real increase in pension at age 65 £000	CETV 31/03/06 £000	CETV 31/03/05 £000	Real increase in CETV £000	Employer pension contribution £000
Graham Garbutt (Chief Executive)				Not available		13
Margaret Clark	44	4	1,052	716	86	23
Andrew Wood	2	1	41	13	20	19
Tracey Slaven	3	1	30	17	7	18
Tim Lunel	16	1	184	147	9	3
Brian Wilson	15	1	224	168	9	14

**Civil Service Pensions**

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (classic, premium, and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. New entrants after 1 October 2002 may choose between memberships of premium or joining a good quality "money purchase" stakeholder based arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up 25% of the fund as a lump sum.

Further details about the PCSPS arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

**Cash Equivalent Transfer Values**

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CSP Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to

a member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

**Real increase in CETV**

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Graham Garbutt  
Chief Executive  
3 July 2006

Stuart Burgess  
Chairman  
3 July 2006



## **Statement of the Agency's and Chief Executive's responsibilities**

Under Schedule 13 of the Wildlife and Countryside Act 1981 the Countryside Agency is required to prepare a statement of accounts in the form and on the basis determined by the Secretary of State for the Environment, Food and Rural Affairs, with the consent of the Treasury. The accounts were prepared on an accruals basis and to give a true and fair view of the Agency's state of affairs at the year-end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts the Agency is required to:

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless inappropriate to presume that the Agency would continue in operation.

The Accounting Officer for the Department for Environment, Food and Rural Affairs designated the Chief Executive of the Countryside Agency as the Accounting Officer for the Agency. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum issued by the Treasury and published in Government Accounting.

Graham Garbutt  
Chief Executive  
3 July 2006

## Statement on Internal Control

### 1 Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Agency's policies, aims and objectives, as articulated in our annual Corporate Plan; whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting and my letter of appointment. In discharging this responsibility, I work closely with the Agency Board, who share responsibility for Agency policy direction, and with the Accounting Officer of Defra. I took up my responsibilities on 1 October 2005 and was provided with appropriate assurance on the effectiveness of controls, for the first part of 2005/2006, by the previous acting CEO and Accounting Officer.

### 2 The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Agency's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Agency for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### 3 Capacity to handle risk

I lead the risk management process with the assistance of Executive Directors and the Audit and Risk Management Committee. Executive Directors are involved in regular management reviews of corporate risks. Programme Directors manage risk review within their areas of responsibility and build risk considerations into the business plans that support each Programme Directorate in delivering an element of our overall strategy. Risks are also routinely addressed in the papers considered by the Agency Board. Risk awareness is built into appropriate training courses. In general, I consider the Agency to be inherently a low risk environment but with increasing complexity due to transitional and dissolution issues. The major risks to the successful completion of Agency objectives lie with the incoming Natural England (NE) programme.

### 4 The risk and control framework

- 4.1 **Corporate Governance.** The Agency has complied with all relevant corporate governance directions. The Board has met monthly, in public, to consider all aspects of the plans and strategic direction of Agency business. Additional Board level task groups have met to consider activities specific to the moves to NE and to the CRC. The Audit and Risk Management Committee has met four times to assist with the review of Agency risks and activity. The Agency has benefited from a soundly based and independent Internal Audit activity with regular reports and advice by Internal Audit on the adequacy of control systems in areas reviewed, recommendations for improvement and assistance with the identification of key risks. External Audit activity has assisted with the understanding of risk and been involved in advising on the control issues over the transition to Natural England and the CRC.

- 4.2 **Programme and Project Management.** The majority of our work is delivered through Programme teams. These are managed at Programme Director level within the business. Because of the ongoing nature of this activity and the embedding within the business there are not separate programme boards for each of these activities. However, the major internal projects related to Agency activity had separate Project Boards and were subject to appropriate project organisation, controls and reporting. An Agency sponsored Project Board has managed transition to CRC. A careful evaluation of relocation options was completed and the proposals received Ministerial approval: work is in hand to ensure effective management of the project, with advice from appropriate property, technical and legal advisers. Similarly the future of the Countryside Agency Headquarters, John Dower House, is being carefully considered with Defra, NE, CRC and specialist advice. Transition to NE has been under the direction of a Defra Sponsored Programme and Project Management structure. Key individuals involved within the Agency have had appropriate project management awareness and training.
- 4.3 **Risk Strategy and Risk Management.** The Board has agreed the overall corporate risk register and the agreed management actions. The Audit and Risk Management Committee have reviewed individual items and review the effectiveness of the system of internal control. A corporate risk identification process identifies and assists in the management of key corporate risks. This includes individual business plans, identifying issues to be addressed, actions to be taken and risks to achieving outcomes economically, efficiently and effectively. Formal project management disciplines are applied where needed.
- 4.4 **Strategy and Planning.** We have an overall strategy, which makes clear the main focus of the Countryside Agency's work and the broad outcomes to be achieved over the Corporate Planning period. There is a comprehensive corporate planning system with identified programmes of action and resources. Increasingly that planning activity has been co-ordinated with partners in RDS and English Nature. There has been a full programme of stakeholder consultation and involvement in Agency programmes. Delays in agreeing funding at the start of the year have had some impact and outturn was less than expected. Relationships with Defra sponsorship and policy branches have been close but the uncertainty of Defra Funding agreements has made corporate planning and customer commitments difficult in some areas.
- 4.5 **Performance Management.** The Agency has had a continuous monitoring and quarterly reporting programme during 2005/2006. This has comprised quarterly reporting by Programme Directors of progress with implementing their business plans; quarterly reviews by individual Executive Directors of overall progress against the Corporate Plan, and regular reports to the Board. Individual staff work objectives have been in place and monitored throughout the year.
- 4.6 **Change Management.** The Agency has been through a considerable change process during 2005/2006 with the moves towards the creation of CRC and in responding to NE's developing requirements. The discontinued matching exercise from the NE programme introduced considerable uncertainty for staff. Within the Agency, CRC and NE facing activity has been appropriately organised in distinct directorates. The creation of Board level task groups to take an overview of strategy and control has provided an appropriate level of scrutiny within the Agency. Similarly we have set up a Board subgroup to oversee and advise on dissolution issues during this last phase of the Agency's work. A key issue identified is the current SPIRIT contract with IBM: the future requirements of CRC and NE in this respect are still uncertain.

## **5 Significant Internal Control Issues**

Significant control issues during the year have occurred during the year resulting from the MRD agenda. The uncertainty and lack of clarity on funding has risked effective use of resources and uncertainties from the MRD transition processes have impacted on effective control within the Agency. We have managed these issues through modified management structures, support to staff, re-prioritisation of resources and reassessment of risk profiles throughout the year.

## **5 Review of Effectiveness**

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the Executive Directors within the Agency who have responsibility for the development and maintenance of the internal control framework. Executive Directors and Programme Directors have provided me with additional assurance in their specific areas through individual Stewardship Statements.

I am further informed by the work of the internal auditors, the opinion provided by my Head of Internal Audit and by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, through the Audit and Risk Management Committee. Plans to address weakness and ensure lessons learnt are transferred to successor bodies are in place.

Graham Garbutt  
Accounting Officer  
Countryside Agency

Date 3 July 2006

## **The Certificate of the Comptroller and Auditor General of the Houses of Parliament**

I certify that I have audited the financial statements of the Countryside Agency for the year ended 31 March 2006 under the Wildlife and Countryside Act 1981. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### **Respective responsibilities of the Countryside Agency, Chief Executive and auditor**

The Countryside Agency and Chief Executive are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Wildlife and Countryside Act 1981 and Secretary of State's directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Countryside Agency and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Wildlife and Countryside Act 1981 and Secretary of State's directions made thereunder. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Countryside Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 30 to 32 reflects the Countryside Agency's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Countryside Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Countryside Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Countryside Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Wildlife and Countryside Act 1981 and directions made thereunder by the Secretary of State with the approval of the Treasury, of the state of the Countryside Agency affairs as at 31 March 2006 and of its deficit for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Wildlife and Countryside Act 1981 and directions made thereunder by the Secretary of State with the approval of the Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP  
12 July 2006

**Income and Expenditure Account for the year ended 31 March 2006**

		<b>2005/06</b>	2004/05
			As restated (Note 1a)
	<i>Note</i>	<b>£000</b>	£000
<b>Income</b>			
Grant-in-aid	2	66,487	63,741
Other grants receivable	3	12,648	13,244
Income from activities	3	1,397	4,051
Government grant reserve	20	216	169
		<b>80,748</b>	81,205
<b>Expenditure</b>			
Grants	4	31,008	29,362
Staff costs	5	19,078	17,887
Other operating costs	7	30,754	33,682
Depreciation and indexation	10	170	169
		<b>81,010</b>	81,100
Operating (deficit)/surplus		<b>(262)</b>	105
Other finance costs	6	(123)	(119)
Interest receivable	8	286	365
Notional cost of capital	9	33	68
Loss on disposal of fixed assets	10	(47)	-
(Deficit)/Surplus on ordinary activities		<b>(113)</b>	419
<b>Transfers and appropriations:</b>			
Notional cost of capital reversal	9	(33)	(68)
Retained (deficit)/surplus for the financial year		<b>(146)</b>	351

All activities are continuing. Under FRS 3, there were no material acquisitions or disposals during the year. For events after the balance sheet date see Note 25.

The notes on pages 39 to 58 form part of these accounts.



## Statement of Recognised Gains and Losses for the Year Ended 31 March 2006

	<u>2005/06</u>	<u>2004/05</u>
<i>Note</i>	<b>£000</b>	£000
		As restated
(Deficit)/surplus for the year after taxation	<b>(146)</b>	351
Actuarial (losses)/gains	6 <b>(152)</b>	43
Overnight increase in pension liability	6 <b>(230)</b>	-
Movement on Government Grant Reserve	20 <b>433</b>	(39)
Movement on donated assets reserve	<b>(4)</b>	-
Total recognised (losses)/gains for the year	<u><b>(99)</b></u>	<u>355</u>

The notes on pages 39 to 58 form part of these accounts.

**Balance Sheet as at 31 March 2006**

		2005/06	2005/06	2004/05
	<i>Note</i>	£000	£000	As restated £000
<b>Fixed assets</b>				
Tangible fixed assets	10		3,796	3,366
<b>Debtors: amounts falling due after more than one year</b>				
Loans	11	700		700
Accrual for redundancy funding	16	268		433
			968	1,133
<b>Current Assets</b>				
Stocks	12	38		34
Debtors falling due within one year	13	12,660		13,579
Cash at bank and in hand		7,690		5,979
		20,388		19,592
<b>Creditors</b>				
Amounts falling due within one year	14	(21,747)		(19,955)
<b>Net current liabilities</b>			(1,359)	(363)
<b>Total assets less current liabilities</b>			3,405	4,136
<b>Provisions for liabilities and charges</b>				
Provision for early-retirement costs	15	(311)		(540)
Provision for redundancy costs	16	(1,108)		(2,748)
Provision for restructuring costs	17	(735)		-
			(2,154)	(3,288)
<b>Net assets excluding pension liability</b>			1,251	848
Pension liability	6		(2,243)	(1,741)
<b>Net liabilities including pension liability</b>			(992)	(893)
<b>Financed by:</b>				
<b>Capital and reserves</b>				
Income and expenditure account	21		(4,724)	(4,196)
Government grant reserve	20		3,732	3,299
Donated asset reserve			-	4
			(992)	(893)

The notes on pages 39 to 58 form part of these accounts.

Graham Garbutt  
Chief Executive  
3 July 2006

Stuart Burgess  
Chairman  
3 July 2006

**Cash Flow Statement for the Year Ended 31 March 2006**

		2005/06	2005/06	2004/05
	<i>Note</i>	£000	£000	£000
<b>Net cash inflow/(outflow) from operating activities</b>	18		1,425	(1,557)
<b>Returns on investment and servicing of finance</b>				
Interest received		286		365
Net cash inflow from returns on investment and servicing of finance			286	365
<b>Capital Expenditure and financial investment</b>				
Payments to acquire fixed assets		(36)		(130)
Net cash outflow from investing activities			(36)	(130)
Net cash inflow/(outflow) before financing			1,675	(1,322)
<b>Financing</b>				
Grant-in-aid received used to finance the purchase of fixed assets		36		130
Net cash inflow from financing			36	130
Net cash inflow/(outflow) for the year	19		1,711	(1,192)

## Notes to the accounts

### 1 Statement of accounting policies

#### (a) Accounting convention

These accounts have been prepared by the Agency with the consent of the Treasury in compliance with the 2005/06 Government Financial Reporting Manual (FreM) and the Accounts Direction issued by the Secretary of State for the Department for Environment, Food and Rural Affairs. In accordance with Section 7(2) of the Government Resources and Accounts Act 2000. The accounting policies contained in the FreM follow UK Generally Accepted Accounting Practice for Companies (UKGAAP) to the extent that this is meaningful and appropriate to the public sector. Where the FreM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Countryside Agency for the purpose of giving a true and fair view has been selected. They have been applied consistently in dealing with items considered material to the accounts.

Under the Natural Environment and Rural Communities Act 2006, the Agency is due to be dissolved during 2006-07. The activities of the Agency will be transferred to two new NDPBs, Natural England and the Commission for Rural communities, which will be fully established as the Agency is dissolved. This is a machinery of government change which will be, in accordance with HM Treasury guidance, reported using merger accounting conventions. Under these arrangements assets and liabilities are transferred at their book value. In these circumstances it is appropriate to treat the Agency as a going concern, even though it will cease to exist during 2006-07.

These accounts have been prepared under the historical cost convention modified to account for the revaluation of certain assets.

As part of the re-structuring of the Countryside Agency a number of the Countryside Agency's functions were transferred to the Regional Development Agencies and Defra as of 1 April 2005. The transfer partners agreed to take responsibility for ongoing projects and cash commitments on existing and agreed projects.

Under FRS 6 all 2004/05 comparatives have been re-stated to exclude amounts relating to transferred activities. In total £3,278,000 of accruals and £942,000 of prepayments made at the 2004/05 year-end were reversed and credited to accumulated reserves as at 1 April 2005. This reduced the accumulated deficit brought forward on reserves by £2,336,000 to £893,000.

#### (b) Tangible Fixed assets and depreciation

The Agency undertook a revaluation of freehold properties in March 2006. Freehold buildings held as fixed assets are valued on the basis of open market value, as defined by the Royal Institution of Chartered Surveyors, in accordance with their statement on valuation. Valuations of freehold buildings will be undertaken at intervals of not more than 5 years by the District Valuer of the Valuation Office.

Information Technology (IT) and office equipment are valued at depreciated historical cost, values are updated annually, and this is undertaken using price indices published by the Office for National Statistics.

The majority of the IT equipment in use at the Agency is supplied as part of a Private Finance Initiative (PFI), contracted in 1997. In line with FRS 5, IT equipment supplied outside the terms of the service contract are capitalised.

Depreciation is provided on these tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life as follows:-

Freehold properties - 50 years  
Office equipment - 5-10 years  
IT equipment - 3-5 years

Fixed assets costing less than £2,000 are charged to the income and expenditure account in the year of purchase.

**(c) Grants**

Grants payable are accounted for on an accruals basis. Each offer of grant is tied to a specific due date which may span financial years. The Agency has the absolute discretion to decide whether a grant that is not claimed in the appropriate financial year should be paid in later ones.

Government grants receivable of a revenue nature are credited to income in the year in which they are accrued. Grants receivable for capital expenditure are credited to a Government Grant reserve and are released to revenue over the expected useful life of the relevant asset by equal annual amounts.

**(d) Stocks**

Stocks of publications material are valued on a 'first in first out' basis at the lower of net realisable value and historic cost. For the purposes of valuation, publications are deemed to have a useful life of two years.

**(e) Work in progress**

Some expenditure is incurred in the production of publications. This is classified as work in progress where the publication has yet to be produced. The cost of any fixed asset acquired or constructed during these activities is accounted for as in paragraph 1(b) above.

**(f) Taxation**

The Agency is regarded by the HM Revenue and Customs as a non-profit making organisation and as such is not liable to corporation tax on revenue received. The Agency is registered for value added tax (VAT), and has partially exempt status.

**(g) Pensions**

The Agency has fully adopted FRS 17. The majority of past and present employees are covered by the provisions of the Civil Service Pension Schemes, which are described at Note 6. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependents benefits. The Agency recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Schemes (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes, the Agency recognises the contributions payable for the year.

The Agency also operates two un-funded pension schemes, which are by-analogy to the PCSPS. Pension scheme liabilities are measured using the projected unit method and discounted at the rate of 5.4% (2004/05, 6.1%). Any increase in the present value of the liabilities of the Agency's defined benefit scheme expected to arise from employee service in the period is charged against operating profit. For the RCC scheme, contributions are received from the Rural Community Councils. These are credited to the Income and Expenditure Account as a deduction from current service costs.

The increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in net finance costs. Actuarial gains and losses are recognised in the Statement of Total Recognised Gains and Losses. The Agency recognises a liability to the extent that the obligation to pay future pensions represents a legal or constructive obligation of the Agency.

**(h) Financial Performance**

The Countryside Agency has no agreed financial targets with the Department for the Environment, Food and Rural Affairs against which performance can be measured.

**(i) Income Recognition**

The Agency recognises income net of VAT and discounts.

**(j) Operating Leases**

All costs of operating leases are charged to the income and expenditure account as incurred. There are no finance leases.

**(k) Rural Delivery Review Costs**

Where the Countryside Agency staff are involved in any projects relating to the setting up of the new body, Natural England, reimbursement of the costs involved is received from Defra.

**(l) Notional Costs**

When calculating the surplus or deficit for the year, the Agency includes as expenditure, a notional cost of capital, to the extent that there is no real charge for this.

## 2 Grant-in-aid

The Department for Environment, Food and Rural Affairs (Defra) has responsibility for the funding of the Agency.

		<u>2005/06</u>	<u>2004/05</u>
			As restated
	<i>Notes</i>	<b>£000</b>	£000
Grant-in-aid received from Defra		<b>65,599</b>	64,434
Opening Grant-in-aid debtor		<b>(6,737)</b>	(7,300)
Closing Grant-in-aid debtor		<b>7,661</b>	6,737
<b>Total Grant-in-aid receivable</b>		<b><u>66,523</u></b>	<u>63,871</u>
Grants		<b>31,008</b>	29,362
Staff costs funded by Grant-in-aid	5	<b>19,056</b>	17,875
Pension payments funded by Grant-in-aid		<b>(2)</b>	7
Payment of pension contributions for Chair		<b>3</b>	1
Other operating costs		<b>30,754</b>	33,668
Purchases of fixed assets		<b>36</b>	130
Relating to transferred activities			488
		<b><u>80,854</u></b>	<u>81,531</u>
<i>Less</i>			
Other grants receivable	3	<b>12,648</b>	13,244
Other receipts	3	<b>1,397</b>	4,051
Interest receivable		<b>286</b>	365
		<b><u>14,331</u></b>	<u>17,660</u>
<b>Total Grant-in-aid utilised</b>		<b><u>66,523</u></b>	<u>63,871</u>
Grant-in-aid applied to capital expenditure		<b>36</b>	130
Grant-in-aid credited to income		<b>66,487</b>	63,741
		<b><u>66,523</u></b>	<u>63,871</u>



**3 Analysis of other income and other grants receivable**

	<u>2005/06</u>	<u>2004/05</u>
	£000	£000
		As restated
<i>Other grants receivable</i>		
Lottery funding	9,563	10,295
Co-sponsorship income	1,294	1,472
Other	1,791	1,477
	<u>12,648</u>	<u>13,244</u>
<i>Income from activities</i>		
Running costs	1,200	534
Accrual for redundancy funding	-	3,200
Other	197	317
	<u>1,397</u>	<u>4,051</u>
Total Other Income	<u>14,045</u>	<u>17,295</u>

**4 Grants expenditure**

	<u>2005/06</u>	<u>2004/05</u>
	£000	£000
		As restated
Commission for Rural Communities	153	-
Landscape, Access and Recreation	25,886	24,250
Lottery Heritage Initiative	4,969	5,112
	<u>31,008</u>	<u>29,362</u>

**5 Staff costs**

		<u>2005/06</u>	<u>2005/06</u>	<u>2004/05</u>
	<i>Note</i>	<u>£000</u>	<u>£000</u>	<u>£000</u>
				As restated
<b>Salaries</b>				
Chairman		66		61
Members		233		158
Staff		<u>13,595</u>		<u>11,494</u>
			<b>13,894</b>	<u>11,713</u>
<b>Social Security Costs</b>				
Chairman		8		8
Members		20		15
Staff		<u>1,099</u>		<u>871</u>
			<b>1,127</b>	<u>894</u>
<b>Superannuation</b>				
Staff		<u>2,450</u>		<u>1,561</u>
			<b>2,450</b>	<u>1,561</u>
<b>Seconded staff costs</b>				
Agency staff costs			<b>81</b>	43
Early retirement costs			<b>649</b>	562
Charge to early retirement provision	15		<b>407</b>	286
Provision for Redundancy			<b>(229)</b>	(384)
			<b>677</b>	3,200
			<u>19,056</u>	<u>17,875</u>
<b>Staff costs funded by Grant-in-aid</b>				
RCC Scheme current service cost	6		<b>6</b>	3
Chairman's scheme current service cost	6		<b>16</b>	9
			<u>19,078</u>	<u>17,887</u>
<b>Total Staff costs</b>			<b>19,078</b>	<u>17,887</u>

The average number of permanent staff employed during the year (including those on fixed term appointments) was:

	<b>2005/06</b>	2004/05
	<b>No.</b>	No.
		As restated
Directors and other managerial staff	<b>45</b>	39
Middle managers, countryside officers and other professional staff	<b>419</b>	392
Administrative and secretarial staff	<b>146</b>	68
Agency/temporary staff	<u>29</u>	<u>20</u>
	<u>639</u>	<u>519</u>

## 6 Defined benefit schemes

### Principal Civil Service Pension Scheme

The PCSPS is an unfunded multi-employer defined benefit scheme but the Countryside Agency is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2005. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk))

For 2005/06, employer's contributions of £2,458,000 were payable to the PCSPS (2004/05, £2,070,000) at one of four rates in the range 16.2 to 24.6 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution.

For 2005/06 employer's contributions of £6,000 were payable to the partnership pension providers.

### By-analogy schemes

#### *Composition of the schemes*

The Countryside Agency has a liability under two unfunded defined benefit schemes in the UK.

The first relates to former Directors of the Rural Community Councils. This fund is managed by the Paymaster General on behalf of the Agency, and any pensions are administered by them in accordance with the standard rules (by-analogy with the PCSPS). The second liability arises on the pensions of former Agency Chairmen. These pension liabilities are paid from Grant-in-Aid on an ongoing basis.

An actuarial valuation was carried out on both schemes as at 31 March 2006 by the Government Actuary's Department. The major assumptions used by the actuary were:

	At 31/03/06	At 31/03/05	At 31/03/04
Rate of increase in salaries	4.0%	4.0%	4.0%
Increase in pensions in payment	2.5%	2.5%	2.5%
Discount rate	5.4%	6.1%	6.1%
Inflation assumption	2.5%	2.5%	2.5%

#### *Present value of scheme liabilities*

	At 2005/06 £000	At 2004/05 £000
RCC Directors	2,047	1,596
Ex-Chairmen	196	145
	<u>2,243</u>	<u>1,741</u>

*Analysis of the amount charged to operating profit*

	2005/06 £000	2005/06 £000	2004/05 £000
Current service cost:			
RCC Directors			
Gross current service cost	63		67
Funded by RCC	<u>(57)</u>		<u>(64)</u>
		6	3
Ex-Chairmen			
Gross current service cost		16	9
		<u>22</u>	<u>12</u>
Total operating charges		<u>22</u>	<u>12</u>

*Analysis of amount charged to other finance charges*

	2005/06 £000	2004/05 £000
Interest on pension liabilities		
RCC Directors	112	108
Ex-Chairmen	<u>11</u>	<u>11</u>
	<u>123</u>	<u>119</u>

*Analysis of amount recognised in the Statement of Total Recognised Gains and Losses (STRGL)*

	2005/06 £000	2004/05 £000
Experience gains and losses arising on the scheme liabilities:		
RCC Directors	(107)	44
Ex-Chairmen	(31)	8
Changes in assumptions underlying the present value of scheme liabilities:		
RCC Directors	(13)	(6)
Ex-Chairmen	(1)	(3)
Total actuarial (losses)/gains	<u>(152)</u>	<u>43</u>
Overnight increase in pension liability		
RCC Directors	(213)	-
Ex-Chairmen	<u>(17)</u>	<u>-</u>
	<u>(230)</u>	<u>-</u>

*Movement in deficit during the year: RCC Directors*

	<b>2005/06</b>	2004/05
	<b>£000</b>	£000
Deficit in scheme at beginning of the year	<b>1,596</b>	1,523
<i>Movement in year:</i>		
Current service cost	<b>63</b>	67
Contributions	<b>(57)</b>	(64)
Other finance costs	<b>112</b>	108
Overnight increase in pension liability	<b>213</b>	-
Actuarial loss/(gain)	<b>120</b>	(38)
Deficit in scheme at end of year	<b><u>2,047</u></b>	<u>1,596</u>

The overnight increase in pension liabilities relates to a change in actuarial assumptions applied with effect from 1 April 2005. It reduces the real rate of return applied to investments from that point with the effect of increasing the scheme deficit.

The actuarial valuation at 31 March 2006 showed an increase in the deficit from £1,596,000 to £2,047,000. Contributions are determined at levels by-analogy to the PCSPS.

*Movement in deficit during the year: Ex-Chairmen*

	<b>2005/06</b>	2004/05
	<b>£000</b>	£000
Deficit in scheme at beginning of the year	<b>145</b>	138
<i>Movement in year:</i>		
Current service cost	<b>16</b>	9
Contributions	<b>(16)</b>	(1)
Pensions paid	<b>(9)</b>	(7)
Other finance costs	<b>11</b>	11
Overnight increase in pension liability	<b>17</b>	-
Actuarial loss/(gain)	<b>32</b>	(5)
Deficit in scheme at end of year	<b><u>196</u></b>	<u>145</u>

The actuarial valuation at 31 March 2006 showed an increase in the deficit from £145,000 to £196,000. Contributions are determined at levels by-analogy to the PCSPS.

*History of experience gains and losses: RCC Directors*

	2005/06	2004/05	2003/04
Experience gains and losses on scheme liabilities			
Amount (£000)	107	(44)	15
Percentage of scheme liabilities	5.2%	(2.3)%	0.9%
Total amount recognised in statement of total recognised gains and losses:			
Amount (£000)	120	(38)	137
Percentage of scheme liabilities	5.9%	(2.0)%	7.9%

*History of experience gains and losses: Ex-Chairmen*

	2005/06	2004/05	2003/04
Experience gains and losses on scheme liabilities			
Amount (£000)	31	(8)	(23)
Percentage of scheme liabilities	15.8%	(4.3)%	(12.8)%
Total amount recognised in statement of total recognised gains and losses:			
Amount (£000)	32	(5)	12
Percentage of scheme liabilities	16.3%	(2.7)%	6.6%

**7 Other operating costs**

	2005/06	2004/05
	£000	£000
Administrative costs	5,511	5,145
Travel and subsistence	1,618	1,275
Investigations, inquiries, research and experiments	9,403	9,212
Publicity and information	3,568	4,965
Other expenditure	657	2,657
Access restrictions contract	3,520	4,457
Rentals under operating leases - Plant and Machinery	51	28
Rentals under operating leases - Other	1,740	1,344
Revenue element of Private Finance Initiative contract (Note 23) for the supply of IT services	4,686	4,599
	30,754	33,682

Administrative costs include provision for an external audit fee of £39,000 in respect of 2005/06 (£37,000, 2004/05). No further fees were paid to the National Audit Office during the year for consultancy work.

There was no interest payable in respect of 2005/06 or 2004/05.

**8 Interest receivable**

	<u>2005/06</u>	<u>2004/05</u>
	£000	£000
Bank deposit interest	262	341
Interest from Village Hall Loan Fund	24	24
	<u>286</u>	<u>365</u>

**9 Notional costs**

When calculating the surplus or deficit for the year, the Agency is required to include as expenditure, a notional cost of capital, to the extent that there is no real charge for this. This has been calculated at 3.5% (3.5% 2004/05) of the average total assets less the total liabilities in the year. In line with Treasury policy the Agency does not maintain insurance policies to cover buildings, office contents, employer's or public liability.

**10 Tangible fixed assets**

	Freehold Buildings	Office Equipment	IT Equipment	Total 2005/06
	£000	£000	£000	£000
<i>At cost or valuation</i>				
As at 1 April 2005	3,267	1,139	89	4,495
Additions during the year	-	36	-	36
Revaluation	609	3	-	612
Disposal during the year	-	(140)	(69)	(209)
As at 31 March 2006	<u>3,876</u>	<u>1,038</u>	<u>20</u>	<u>4,934</u>
<i>Less Depreciation</i>				
As at 1 April 2005	602	445	81	1,128
Charge for the year	74	99	-	173
Disposals	-	(102)	(61)	(163)
Re-indexation of accumulated depreciation	-	-	-	-
As at 31 March 2006	<u>676</u>	<u>442</u>	<u>20</u>	<u>1,138</u>
<i>Net Book Value</i>				
As at 31 March 2006	3,200	596	-	3,796
As at 31 March 2005	2,665	694	8	3,367

Freehold buildings held as fixed assets were professionally valued by the District Valuer at the Valuation Office as at 31 March 2006 on the basis of Open Market Value as defined by the Royal Institute of Chartered Surveyors. Valuations of the Countryside Agency's freehold buildings are undertaken at intervals of not more than five years.

The amounts charged to the income and expenditure account during the year comprise depreciation charges, together with adjustments for revaluation movements arising from modified historic cost accounting.



**11 Debtors: amounts falling due after more than one year**

		<u>2005/06</u>	<u>2004/05</u>
	<i>Note</i>	<u>£000</u>	<u>£000</u>
Accrual for redundancy funding	16	268	433
Village Hall Loan Fund		<u>700</u>	<u>700</u>
		<u>968</u>	<u>1,133</u>

**12 Stocks**

		<u>2005/06</u>	<u>2004/05</u>
		<u>£000</u>	<u>£000</u>
Publications		24	19
Walking the Way to Health Initiative		<u>14</u>	<u>15</u>
		<u>38</u>	<u>34</u>

**13 Debtors**

		<u>2005/06</u>	<u>2004/05</u>
	<i>Note</i>	<u>£000</u>	<u>£000</u>
			As restated
Trade Debtors		23	489
Other Debtors		326	433
Prepayments		590	922
Accrued Income		3,299	4,196
Grant-in-aid accrued		7,661	6,738
Redundancy funding due within one year	16	-	767
Restructuring income due within one year	17	735	
Loans repayable within one year		<u>26</u>	<u>34</u>
		<u>12,660</u>	<u>13,579</u>

As at 31 March 2006 the aggregate value of all loans made to staff was £26,284 (2004/05, £33,616).

**14 Creditors: amounts falling due in less than one year**

	<u>2005/06</u>	<u>2004/05</u>
	£000	£000
		As restated
Consolidated Fund creditor	-	108
Payments received on account	2,135	1,060
Trade creditors	1,041	1,304
Accruals	17,918	17,464
Other creditors	635	17
VAT creditor	18	2
	<u>21,747</u>	<u>19,955</u>

**15 Early retirement provision**

	<u>2005/06</u>	<u>2004/05</u>
	£000	£000
Opening Balance at 1 April	540	924
Retirement costs paid this year	(229)	(286)
Provision recognised / (released) in the year	-	(98)
Balance carried forward at 31 March	<u>311</u>	<u>540</u>

This provision is required to meet current estimated obligations in respect of decisions taken on early retirement up to the end of 2005/06.

**16 Redundancy provision**

This provision is required to meet the current estimated ongoing liabilities in respect of staff redundancies arising from the reorganisation of the Countryside Agency.

The movement on the asset and liability during the year were as follows:

*Asset*

	<u>2005/06</u>	<u>2004/05</u>
<i>Note</i>	£000	£000
Opening balance at 1 April	1,200	-
Provision (released)/recognised in year	(246)	3,200
Funding received in the year	(686)	(2,000)
Balance carried forward at 31 March	<u>268</u>	<u>1,200</u>

		<u>2005/06</u>	<u>2004/05</u>
		£000	£000
Due within less than one year	13	-	767
Due within more than one year	11	<u>268</u>	<u>433</u>
Balance carried forward at 31 March		<u>268</u>	<u>1,200</u>

*Liability*

		<u>2005/06</u>	<u>2004/05</u>
		£000	£000
Opening balance at 1 April		2,748	-
Costs provided for in the year		677	3,200
Provision released in the year		(246)	-
Provision utilised in the year		<u>(2,071)</u>	<u>(452)</u>
		<u>1,108</u>	<u>2,748</u>

**17 Restructuring Provision**

This provision is required to meet the current estimated liabilities in respect of costs arising from the reorganisation of the Countryside Agency. Specifically, it provides for costs incurred in the surrendering of leases no longer required under the restructuring.

This cost has been matched by funding from Defra, outside of the normal Grant-in-aid.

The movement on the asset and liability during the year were as follows:

*Asset*

		<u>2005/06</u>	<u>2004/05</u>
	Note	£000	£000
Opening balance at 1 April		-	-
Funding recognised in the year		<u>735</u>	<u>-</u>
Balance carried forward at 31 March	13	<u>735</u>	<u>-</u>

*Liability*

		<u>2005/06</u>	<u>2004/05</u>
		£000	£000
Opening balance at 1 April		-	-
Costs provided for in the year		<u>735</u>	<u>-</u>
Balance carried forward at 31 March		<u>735</u>	<u>-</u>

**18 Reconciliation of operating deficit to net cash inflow from operating activities**

	<u>2005/06</u>	<u>2004/05</u>
	£000	As restated £000
Operating (deficit)/surplus	(262)	105
Depreciation	173	195
Indexation	(3)	(26)
Release from government grant reserve	(216)	(169)
Release from donated asset reserve	(4)	-
Proceeds from the disposal of fixed assets	-	3
Decrease in stocks	(4)	(12)
Decrease/(increase) in debtors	1,086	(370)
Increase/(decrease) in creditors	1,792	(3,163)
Relating to transferred activities	-	(488)
Transfer from provision for early retirement costs	(229)	(384)
(Decrease)/increase in redundancy provision	(1,640)	2,748
Increase in restructuring provision	735	-
Increase in pension liability	502	80
Actuarial (losses)/gains on pension liability	(382)	43
Interest on pension liability	(123)	(119)
	<u>1,425</u>	<u>(1,557)</u>

**19 Analysis of changes in net funds in the year**

	<u>2005/06</u>	<u>2004/05</u>
	£000	£000
Cash balance at 1 April	5,979	7,171
Net cash inflow/(outflow)	1,711	(1,192)
Cash balance at 31 March	<u>7,690</u>	<u>5,979</u>

**20 Government grant reserve**

	<u>2005/06</u>	<u>2004/05</u>
<i>Note</i>	<u>£000</u>	<u>£000</u>
Opening Balance at 1 April	3,299	3,338
Grant-in-aid applied to the purchase of fixed assets	10      36	130
Released from donated asset reserve on disposal	4	-
Revaluation of John Dower House	10      609	-
	<u>3,948</u>	<u>3,468</u>
Released to income and expenditure in the year:		
In respect of depreciation	10      (173)	(195)
In respect of indexation	10      3	26
Losses on disposals of fixed assets	10      (46)	-
	<u>3,732</u>	<u>3,299</u>

**21 Income and expenditure reserve**

	<u>2005/06</u>	<u>2004/05</u>
<i>Note</i>	<u>£000</u>	<u>£000</u>
		As restated
Reserve brought forward	(4,196)	(4,590)
Retained (deficit)/surplus for the financial year after appropriations	(146)	351
Actuarial (losses)/gains on by-analogy schemes	(382)	43
Reserve carried forward	<u>(4,724)</u>	<u>(4,196)</u>
Reserve excluding pension liability	(2,481)	(2,455)
Pension liability	6      (2,243)	(1,741)
Reserve carried forward	<u>(4,724)</u>	<u>(4,196)</u>

**22 Reconciliation of movement in funds**

	<u>2005/06</u>	<u>2004/05</u>
<i>Note</i>	<u>£000</u>	<u>£000</u>
		As restated
Opening funds balance	(893)	(1,248)
Retained deficit for the financial year after appropriations	(146)	351
Actuarial (losses)/gains on by-analogy schemes	(382)	43
Movement on government grant reserve	20      433	(39)
Released from donated asset reserve on disposal	(4)	-
Closing funds balance	<u>(992)</u>	<u>(893)</u>

## 23 Other financial commitments

The Agency had the following annual commitments at 31 March in respect of non-cancellable operating leases.

	<u>2005/06</u>	<u>2004/05</u>
	£000	£000
<b>Operating leases land and buildings:</b>		
Expiring within one year	110	81
Expiring between one and five years	990	778
Expiring after more than five years	431	598
	<u>1,531</u>	<u>1,457</u>
<b>Operating leases office equipment:</b>		
Expiring within one year	15	7
Expiring between one and five years	3	10
Expiring after more than five years	-	1
	<u>18</u>	<u>18</u>
<b>PFI contract for information technology service:</b>		
Expiring between one and five years	2,280	4,468

This PFI contract commenced December 1997, originally for seven years, for the provision of the Agency's computer facilities and services. The contract has since been renewed and now expires in December 2007. £4,686,034 was spent in 2005/06, which included upgrades and provision for additional staff (£4,598,949, 2004/05). Additional one-off service costs for 2005/06 amounted to £710,412 (£650,148, 2004/05). No capital expenditure was incurred (nil, 2004/05). The total contract value as at 31 March 2005 to December 2007 was £7,981,389 (£12,287,138, 2004/05). Following contract negotiations, as of March 2005, the charge for 2005/06 amounts to £2,280,117 and includes the cost of upgrades and provisions for additional staff.

Committed grant expenditure as at 31 March 2006 was £30,056,085 (£26,283,841, 2004/05). This relates to grants that have been formally accepted, but for which work has not yet begun

## 24 Contingent liabilities

Within the contract for information technology, a contract exists with IBM for the provision of ICT services – the SPIRIT contract. This contract expires December 2007, but with the proposed dissolution of the Agency, there will be early termination. The merging NDPBs intend to accede to Defra's E-nabling ICT services, also provided by IBM. The Agency is in discussion with IBM as to whether an early termination charge will be payable as the facilities are being merged with part of a larger contract.

**25 Post balance sheet events**

On 30 September 2006, the Countryside Agency will cease to exist and its functions will transfer to two new NDPBs, Natural England and the Commission for Rural Communities. These transfers will be accounted for using the merger accounting method.

No financial reports will be produced for the Countryside Agency for 2006/07, but its results for the period 1 April to 30 September 2006 will be recorded within the financial statements of the two new NDPBs.

**26 Managing risk in financial instruments**

The Agency has no borrowings and relies primarily on departmental grants for its cash requirements, and is therefore not exposed to liquidity risks. It also has no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk.

**27 Losses and special payments**

In 2005/06 there were 29 cases of losses and special payments in the year totalling £9,259 (2004/05 21 totalling £51,702). These were made up as follows.

	<u>2005/06</u>	<u>2004/05</u>
	£000	£000
Exchange rate fluctuations	1	-
Claims abandoned	-	16
Stores losses	3	27
Fruitless payments	3	7
Gifts	-	1
Special payments	2	1
	<u>9</u>	<u>52</u>



**28 Intra-Governmental balances**

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
Balances with other central government bodies	8,272	268	223	-
Balances with local authorities	256	-	10,382	-
Total at 31 March 2006	<u>8,528</u>	<u>268</u>	<u>10,605</u>	<u>-</u>

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
Balances with other central government bodies	8,287	433	51	-
Balances with local authorities	5	-	7,860	-
Total at 31 March 2005	<u>8,292</u>	<u>433</u>	<u>7,911</u>	<u>-</u>

**29 Related party transactions**

The Countryside Agency is a body corporate sponsored by the Department for the Environment, Food and Rural Affairs. The Department is regarded as a related party. During the year, the Countryside Agency has had a number of material transactions with the Department. The Agency entered into transactions with English Nature and the Environment Agency, which share the same parent Department. No other material transactions were entered into with other entities for which Defra is regarded as parent. In addition, the Countryside Agency has had various material transactions with other Government departments and central Government bodies.

During the year the Countryside Agency entered into the following material transactions in the normal course of business with the stated Board Members, members of key management staff and other related parties:

<b>Member / Senior Staff</b>	<b>Related Body</b>	<b>Payable (Amount owed at year end) £000</b>	<b>Receivable (Amount owed at year end) £000</b>	<b>Nature of Transactions</b>
Alison McLean	Shropshire County Council	491 (4)		Grants
John Varley	National Trust	64 (34)		Grants
	The RSPB	6		Grants
	University of Plymouth	6		Goods and services
Kate Ashbrook	The Council for National Parks	76		Grants
	Wildlife and Countryside Link	15		Grants
Michael Winter	University of Exeter	13		Goods and services
Philip Lowe and Mark Shucksmith	University of Newcastle- Upon-Tyne	13		Goods and services
Philip Lowe	English Nature	113	105 (15)	Goods and services
Tayo Adebawale	English Heritage	23		Grants
	Environment Agency	9	5	Goods and services
	The Tomorrow Project	25		Goods and services
	WS Atkins	64		Goods and services
Anthony Hams	Association of National Park Authorities	32		Grants
	Forestry Commission	47	190 (10)	Goods and services
	Peak District National Park Authority	95 (21)	47	Goods and services

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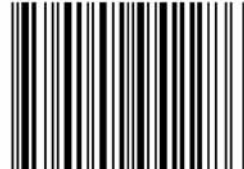
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