

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 2005 and Balance Sheet as at 31 March 2005, together with the Report of the Comptroller and Auditor General thereon. (In continuation of House of Commons Paper No. 1049 of 2003-2004.)

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

Countryside Agency Annual Report and Accounts 2004/05

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Annual Report

The Countryside Agency's business

1. The Countryside Agency is a statutory body, established by Act of Parliament with 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, areas of outstanding natural beauty (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 Country 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 summarise our role as:

- statutory champion and watchdog;
- influencing and inspiring solutions through our know how and show how;
- delivering where we are best placed to add value.

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.

External influences

2. As part of the Government's drive to improve public service delivery, we have worked to put in place a culture and practices which enable the organisation to become a modern and customer-focused public service organisation.

Future developments

3. 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 Secretary of State Margaret Beckett and published in October 2003. In the light of the changes proposed by the Rural Strategy, we reorganised our structure in September 2004 into four separate divisions to help prepare the Countryside Agency for the changes outlined in the strategy:
 - The Commission for Rural Communities (CRC) 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 a non-departmental public body following primary legislation.
 - Landscape, Access and Recreation (LAR) 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, following primary legislation.
 - Evaluating, Disseminating and Mainstreaming (EDM) division, covering our socio-economic delivery functions, which were transferred to Regional Development Agencies (RDAs) and Defra from April 2005.
 - CORE to provide corporate services to the Agency as a whole, including support for the Board, corporate planning etc and core support to the other three divisions.

Draft legislation to create Natural England and the Commission for Rural Communities was published in February 2005 for pre-legislative scrutiny. The Natural Environment and Rural Communities Bill will be published early in the first session of the new Parliament.

Summary of significant achievements

4. Most of the outputs identified in the Corporate Plan were delivered as planned although there was a much greater practical and financial impact of the Modernising Rural Delivery (MRD) programme during this financial year than in 2003/04. Overall, spend for the Agency was in line with budget as set out in the Corporate Plan, with material additional outlay on MRD-related activity. The following major achievements and developments took place during the year:
 - Work on open access mapping and registered common land continued to make excellent progress; access rights are now in place for a number of regions with completion due for December 2005.
 - The New Forest was designated as a National Park Authority, and the South Downs National Park inquiry closed in March 2005.
 - The 2004 State of the Countryside Report was published in June 2004 and led to a broad range of media comment with particular emphasis on housing affordability.
 - Although it closed to new applications in April 2004, the Vital Villages programme continued to process projects for several months and, as a follow up, we produced a monitoring and evaluation report and an impact assessment study.
 - The Market Towns Initiative continued to be a marked success with 235 towns now taking part and 18 identified as 'Beacon Town' (a Rural White paper commitment). Special projects were initiated to help inform the work of other town partnerships and the development of policy.
 - In association with Groundwork and other partners, we launched our 'Vision for the Countryside In and Around Towns' in January 2005. Ministers from Defra and the Office of the Deputy Prime Minister (ODPM) welcomed the vision and were in full support of it being made a reality.
 - We have commissioned research into the links between health and wellbeing and the countryside while our Walking the Way to Health Initiative with the British Heart Foundation has now encouraged some 900,000 people to walk more for the benefit of their health.
 - Our annual Rural Proofing report showed measurable but variable progress, with Whitehall policymakers taking account of the rural dimension; and highlighted the need to develop and encourage rural proofing at regional and local levels.
 - Our Aggregates Levy Sustainable Fund team supported a further 30 projects and worked with English Nature to establish a simplified and more consistent experience for customers in the future.

**2004/05
Performance Review**

5. Paragraphs 6 to 25 below provide an overview of the aims and achievements within the strategic programmes for the year ending 31 March 2005. These strategic aims align to 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. Paragraphs 26 and 27 detail the members of the Board and the Agency's senior staff. The headings in the margin are those applying during the year; the notes below the headings show where this work fits into the structure adopted from 1 April 2005.

Making life better for people in the countryside

6. Responsibility for our socio-economic work was transferred to Regional Development Agencies and Government Offices in the Regions at 1 April 2005. The transfers were completed to the timetable and within the agreed budget:
- 1500 live financial commitments to a value of £9.7m (resource) in 2005/06 and beyond;
 - A further 1500 completed projects requiring on-going monitoring;
 - 37 staff having been successful in the selection process.
7. Two reports were produced to capture the Countryside Agency's knowledge and experience of these areas: 'Making a Difference – learning from the Countryside Agency's work with rural communities', and an evaluation report, 'A cross-cutting evaluation of the Countryside Agency's socio-economic programme'.

Additional work was carried out to support further embedding of Countryside Agency activities and approaches into the work of mainstream organisations (mainstreaming). Parish Plans stand out as one of the key successes to date. However, further effort is required to ensure continuation of the work in other areas.

Despite the major changes during the year, staff continued to deliver Corporate Plan commitments during the year.

**Vital Villages:
empowered, active
and inclusive
communities**

8. Although the Vital Villages programme closed to new applications in April 2004, we continued to process projects in the pipeline for several months. To date, we have worked with communities on more than 1200 parish plans, 1240 community services grants, 339 parish transport grants and over 890 rural transport partnership projects.

In order to capture and share the lessons learned from running this programme for four years, we have produced a monitoring and evaluation report and an impact assessment study. We have carried out a more detailed examination of Parish Plans and have sent the 'What Makes a Good Parish Plan?' report to every local authority in England.

9. Our Local Heritage Initiative (LHI) has successfully delivered Corporate Plan and Rural White Paper objectives. The LHI programme has been granted a further two years' funding and will continue to operate under the umbrella of the Countryside Agency for the next financial year.

**Essential services:
high standards of
rural services
(CRC/EDM)**

10. Our Rural Proofing report for 2003/04 showed measurable (if variable) progress in the extent to which national policy making by Government Departments has taken account of the rural dimension. It highlighted the need to develop and encourage rural proofing at the regional and local levels, where policies are implemented and delivered, so that rural proofing makes more of a difference on the ground. To assist this agenda we worked with the ODPM, Defra, the Local Government Association and the Improvement and Development Agency on building rural issues into local authority PSA targets.

The Agency published and promoted material about projects it helped to fund, which demonstrated the benefits of bringing together services under one roof or through one vehicle, to improve service delivery in rural areas. This 'multi-service outlets' approach can reduce costs for service providers and keep services going that would not otherwise be viable.

On housing, we have promoted a new policy approach, where local planning authorities can designate small sites specifically for affordable homes, to meet needs in rural communities, which is being incorporated in the latest planning guidance (PPG3). We have worked with Wealdon District Council to start testing the approach. The Agency has also worked with Defra and the ODPM to ensure that guidance on Regional Housing Strategies, and the targets they set, take account of the needs of rural areas, including the smaller settlements.

11. We have helped the Department of Transport to incorporate rural issues into their guidance to local authorities for their next round of Local Transport Plans, as well as the 'accessibility planning' that will input to those plans. Our Rural Transport Partnership scheme was evaluated and we have produced a wealth of good practice material and advice for regional and local organisations that will be taking forward the delivery of transport grants from April 2005. Allied research has shown how important rural transport schemes can be to accessible healthcare provision in rural areas and how they can save the National Health Service money.

An evaluation of the Countryside Agency's social exclusion demonstration projects was completed around the close of the financial year and aimed to identify key lessons for organisations whose role is to develop and deliver schemes that address rural disadvantage. We have also taken forward a body of work on social enterprise, community-based finance and community land trust approaches, as an innovative way to find appropriate local solutions to social exclusion.

**New enterprise:
vibrant local
economies
(CRC/EDM)**

12. We have continued to support 235 market towns to produce and deliver action plans. In addition, 18 towns have been identified as Beacon Towns (a Rural White Paper commitment). Beacon Towns are those places in which work is being done that will help inform the work of other town partnerships, and the development of policy by developing initiatives to tackle issues raised, for example, by seasonal influxes of migrant workers.

The web-based Market Towns Healthcheck has been updated to reflect the lessons learned by towns which have already undertaken the process. Training and support has been provided to towns to enable them to develop succession strategies, so they can maximise their effectiveness beyond the period of support from the Countryside Agency.

Across England, our Community Renewables Initiative has helped deliver 89 renewable energy installations and to advance a further 260 projects. These projects include renewable energy at schools, farms, housing associations, visitor centres and community shops. All of them are genuine community ventures. The benefits include local income, skills, livelihoods and people understanding how renewable energy works and what it achieves. The installations include small wind turbines, hydropower, photovoltaic solar panels, solar hot water, heat pumps and wood fuel.

The first major study of the rural crafts sector for 80 years – ‘Crafts in the English Countryside: towards a future’ was published on 17 November 2004, drawing on the knowledge and expertise of many leading authorities on traditional rural crafts and providing the basis for future policies and help.

Edited by Professor Ted Collins, a leading rural and agricultural historian and former director of the Rural History Centre at the University of Reading, the project was jointly funded by the Countryside Agency, The Duke of Cornwall’s Benevolent Fund, The Ernest Cook Trust, The Headley Trust, HRH The Prince of Wales’s Charitable Foundation and the University of Reading.

While many ancient crafts have been lost or barely survive, the report highlighted growing interest in the crafts and their potential to contribute more to rural economies.

Improving the quality of the countryside for everyone

- 13.** We contributed to the negotiations on the European Agricultural Fund for Rural Development, in favour of environmental enhancement and rural development.

We worked with Defra to ensure that farmers have to comply with a minimum standard on public rights of way and field boundaries to receive the single payment under the reformed Common Agricultural Policy and that the new Environmental Stewardship Schemes maximise benefits for public access and landscapes.

More than 50 delegates attended a successful forum in the Peak District to discuss the practicalities of place based accreditation schemes, which promote products from the high quality environments of the protected areas.

We sponsored two pilot Countryside Live events, attended by over 2,000 schoolchildren, notably from urban areas around Manchester and Southampton, to encourage greater use of the countryside for learning.

- 14.** In order to demonstrate our planning principles, we are supporting 14 demonstration projects looking at the use of concept statements, sustainable settlements, community planning, area action plans and the use of Landscape Character Assessment in planning.

We produced guidance on the preparation of Strategic Environmental Assessments (SEA) jointly with English Nature and the Environment Agency.

**Wider welcome:
recreation
opportunities for all
(LAR)**

15. We are opening up more of the countryside for more people from all backgrounds to enjoy, working with government and local authorities. We have gathered evidence, under the Diversity Review, of the awareness amongst providers of the needs of people who are under represented as visitors, and of the needs for access and perceptions of people from those groups. We have developed an evaluation framework and toolkit to ensure effective evidence gathering from projects.

A series of key milestones were passed on the way to introducing the new public right of access to almost one million hectares of mountain, moor, heath, down and registered common land. We completed provisional maps for the whole of England of 'open country' and registered common land, the second stage in defining the areas over which the public will have the new right. We completed giving evidence to Planning Inspectorates appointed by the Government to decide appeals against inclusion of land on these provisional maps in six of the regions and issued conclusive maps for five of the regions.

Commencement of these new rights of access occurred in the Southeast and lower Northwest regions on 19 September 2004 and the central southern region on 14 December 2004. Commencement for the upper Northwest and Northeast is scheduled for the end of May 2005 with the last three regions due before the end of December 2005.

A new IT system with associated call centre and website was launched to provide a service to landowners, tenants and the general public to record the restrictions on open land allowed by the legislation. A new Access Management Grant Scheme has operated to encourage land managers to find alternatives to closing the land. The overall outcome we want is that the public are able to enjoy walking on access land, starting from well-signed and convenient access points, without disturbance to important nature conservation and land management interests.

Preliminary analysis of the cost/benefit advantages of National Trail funding showed approximately 12 million visits to the National Trail network in England each year. In the period January to September 2004, walkers on Hadrian's Wall National Trail have generated £2.4m of spend (based on user figures of 209,599 walkers).

16. We have run training events to support the preparation of rights of way improvement plans and we have added advice to the rights of way managers' good practice web site.

The Country Parks Network has increased membership to 90% of country park managers and we have launched a new web site to support this and to provide information to the public on the 270 country parks.

We have worked with the Countryside Recreation Network (CRN) to commission research into links between health and wellbeing and the countryside, to run a conference and issue a journal on this theme. This is in addition to four CRN seminars (one on the project evaluation methodology devised by the Countryside Agency) and journals which included features on our canoe access rights of way project and on improvement plans.

17. Our Walking the Way to Health Initiative with the British Heart Foundation has now encouraged 900,000 people to walk more, to the benefit of their health. More than 14,000 volunteers have now been trained to lead walks. It was cited as a case study in The Public Health White Paper, Choosing Health.

The Department of Health have asked the Agency to deliver a national step-o-meter programme with NHS staff and patients following successful trials.

We were national partners in ITV's Britain on the Move Campaign. We won the Industry Innovators Award from the International Council on Active Giving.

Countryside for towns: realising the potential of the urban fringe

18. 2004/05 represented the final year of Countryside Agency support for the Community Forest programme. Transitional arrangements were secured for a further two years with the Forestry Commission taking over lead responsibility for the programme from April 2005. A significant programme of evaluation was let, with results due by the end of March 2005 with dissemination planned for during 2005/06. The REACT programme entered into its second year of operation with formative evaluation due by March 2005.

We, along with Groundwork and with key contributions from our Natural England confederation partners, launched our vision for the countryside in and around towns in London on 26 January 2005. The vision sets out ten 'functions' for the countryside on the urban doorstep, ranging from a 'bridge to the country' to a 'renewable energy and recycling centre' to a 'nature reserve'. These functions should be combined to create truly multifunctional landscapes serving both town and country and supporting sustainable development. The launch reception was hosted by Alun Michael, Minister for Rural Affairs, and also attended by Phil Hope MP, Under Secretary of State at the Office of the Deputy Prime Minister. Both Ministers warmly welcomed the vision and urged action to make it a reality.

The development of the vision document has been supported by a broad programme of research to help us understand better the current state and potential of the countryside in and around towns. The research reports have been posted on the Countryside Agency's web site. The research has confirmed the complexity of this environment with many different and conflicting interests operating within it, together with the opportunities to produce multifunctional landscapes. It has also revealed how little work had been previously carried out to measure key activities and impacts in the countryside closest to towns. For example, we found that no detailed assessment of the state of agriculture in the metropolitan urban fringe had been carried out for over 20 years.

Our work, targeted at the four growth areas in the Deputy Prime Minister's Sustainable Communities Plan, aims to show how development can be planned and implemented positively to ensure sustainable communities and economies along with a high quality environment.

We continued to promote rural-urban fringe and greenspace policies to both statutory and sub-regional strategies for the growth areas (significantly in the South East Regional Spatial Strategy).

We continued to develop our role in many of the growth areas, following on from our work with many local partnerships, where the Countryside Agency has been welcomed for its practical approach. We launched our package of practical advice for achieving sustainable development in practice, the Sustainable Communities Cookbook and have initiated practical collaborations to assist delivery bodies in putting some of the techniques into practice.

Our research has covered the impact of urban growth on rural areas and the economic case for adopting sustainable development approaches. We designed, constructed and delivered a workshop at the Sustainable Communities Summit and a paper at the 'Great Parks Great Cities' international conference in London.

We have led a programme to oversee implementation of the ODPM and Defra Strategy for Greenspace in the Thames Gateway, 'Greening in the Gateway', including a set of workshops and a major conference to compare and draw good practice lessons from green infrastructure planning that has been taking place in the three constituents of the Thames Gateway.

19. Our Aggregates Levy Sustainable Fund supported 30 projects in 2004/05, which have addressed directly negative effects that past and present aggregates extraction has had on English landscapes and communities. We developed a new, simplified approach to the delivery of the scheme over the next two years in partnership with English Nature, which was launched in February 2005.

Our Doorstep Greens Initiative, jointly funded by the Big Lottery Fund, has helped 203 communities to design and create their own community greenspace. Successful targeting by our advisers has enabled communities from the most disadvantaged areas to tackle the environmental and social issues that affect their locality (98 of our grants are to communities in the top 20% most deprived wards in the Government's Index of Multiple Deprivation). By the end of March 2005, 31 Doorstep Greens were complete, and 125 communities had started work 'on the ground' on their Doorstep Green.

Rural intelligence and influence

Evidence and analysis: a robust rural evidence base (EDM/CRC/LAR)

20. The 2004 State of the Countryside report was published in June 2004, providing a comprehensive overview of change and performance in rural England. The launch triggered a broad range of media comment, with specific focus on issues including housing affordability. A launch event was also held, bringing together a broad range of key rural stakeholders, including the Minister for Rural Affairs. Following the launch, stakeholder feedback was gathered through a survey and subsequently through focus groups. These exercises have been used to inform the development of the 2005 report.
21. We continued development of the Countryside Quality Counts project, with a public launch of the landscape quality indicator in September 2004. The same event also saw the launch of a research note on the new urban-rural definitions, which were announced in Defra's Rural Strategy (2004).

We submitted a 'pre-Budget report' to the Treasury, based on a taxation study commissioned by the Agency, which made the case for fiscal changes related to transport and housing.

Agency know how and show how, shared through good communication (EDM/CRC/LR/CORE)

22. During a time of considerable change for the Countryside Agency, the communications team has continued to deliver to a high quality and quantity, ensuring that every opportunity to promote the understanding of the work of the Agency was taken, from events and exhibitions, to publications, on the web and via the media and through direct communication to stakeholders.

The target audiences have ranged from school children to policy makers across national and regional government, and subjects varied from introducing people to the delights of the countryside to continuing to highlight the problem of providing sufficient rural affordable housing. We have:

- regularly produced and sent to 16,000 stakeholders, the award-winning Countryside Focus newspaper featuring news and articles on the Agency's diverse and groundbreaking initiatives;
- run or participated in more than 50 widely differing events, exhibitions and launches, from kite flying to start the opening of access rights in the Southeast, practical demonstrations by trainee blacksmiths and stonemasons at the Rural Crafts conference, to joint displays with Defra at a range of county shows;
- the production of almost 100 publications. from the new Countryside Code and its fun Aardman Animation drawings to the annual State of the Countryside Report;
- continued to expand the corporate website adding information so that it is an ever-changing and expanding source of valuable information for all countryside stakeholders. We also launched a new Countryside Access website providing a comprehensive guide to where you can go and what you can do in the English countryside. During the year 0.5 million visitors viewed 2.7 million pages;
- kept parliamentarians and other political audiences up to date with Countryside Agency activities through briefings, meetings and events, including fringe events at the main three party political autumn conferences. Parliamentary events held for MPs and Peers to highlight the work of the Countryside Agency included a joint event with Groundwork UK on 'Countryside in and around Towns' and with various partners on Rural Transport;
- used the media as a route to disseminate information about the work of the Agency and its various partners;
- continued the work of defining all the boundaries of nationally important areas such as National Parks and AONBs, for the large scale, detailed maps on a web site available to all; and
- ensured our staff were kept informed and in touch throughout the year.

The Knowledge Management team has continued to serve the Agency and external customers – from members of the public to academicians and people from national and local government – by providing an expert information sourcing service and through the skills and knowledge of the staff, providing answers to complex and technical enquiries.

Extensive training of staff on the implications and commitments to the Freedom of Information Act meant that the Agency was fully prepared when the Act came into force in January 2005.

Supporting the smooth transition of workstreams to the new Agency divisions from 1 April 2005, the Records Management team carried out a full review and transfer of all Agency records, centrally and regionally with plans and processes in place to enable this to continue until such time as the new Agency divisions become independent subsequent to legislation.

The library has been automated with an online catalogue, indexed by a single set of terminology enabling fast interrogation of the library.

Knowledge Management is currently working on a major national project to extend the scope of the Government Category List for indexing terms for use for UKOnline purposes (the websites for public sector organisation), to ensure consistency across all government websites and making it easier for the public to use them.

Agency intelligence and influence gathered and spread through eight regional networks (EDM/CRC/LAR)

23. Regional State of the Countryside Reports were published during the autumn and winter. The Northwest region did not produce a report and, in the light of MRD, our team is working closely with other regional partners to develop a Rural Needs Analysis to inform the delivery of rural services in the Northwest as part of the emerging Regional Rural Delivery Framework (RRDF). Our other regional teams have also been working with partners on these RRDFs to ensure the needs of rural communities are best served and that the experiences of the Countryside Agency gained of the last five years are put to good effect.

Throughout the year our regional teams have been using their networks to deliver a wide range of messages gathered from Agency activity to inform regional policy and the work of other organisations. For instance, many regions have set up conferences and events on the future of rural economies, our South East team led the development of a regional vision for the rural South East and we also supported the work of all the Regional Rural Affairs Forums. As the year drew to a close, the regional teams especially focused on events that celebrated and disseminated the key learning lessons from the Agency's work. They also worked closely with teams from English Nature and the Rural Development Service on opportunities for creating a confederate approach to future working and service delivery, through the publication of regional strategic statements, as we moved towards the new integrated agency, Natural England.

Enabling the Agency to Deliver

Equipping the Agency to deliver (CORE)

24. Effective management of core service contracts, together with pro-active operation of the integrated transport policy, continued to realise efficiency savings in excess of £100k per annum. During the year, the Agency consolidated its East Midlands offices at Bingham and now operates from a single site, with commensurate annual fixed cost savings of £28k.

In Manchester, the Northwest regional office relocated to improved accommodation, within the same building. With the additional major benefit of this relocation was the successful outcome of lease negotiations which effectively reduced the Agency's long-term lease liability from 15 to 10 years (realising a future liability saving of £350k).

Processes in finance and procurement continued to be improved and streamlined. Excellent progress continued to be made in moving to e-payment methods with well over 90% of payments and remittances now handled electronically. Working with colleagues in programme teams, the traffic lights reporting system was further developed and became a key component of the Agency's management control systems.

To support this, a project forecasting tool was developed and is being further rolled out – this system uses advanced spreadsheet processes to forecast spend on a resource basis using the local knowledge of project officers.

We provided a well documented and respected CAMIS support desk service which supported users in application of our e.financials package. By the end of 2004/05, the level of requests for assistance had dropped materially, indicating a well-embedded system and a mature group of front-end users.

The IT contract with IBM continued to provide a consistent level of service whilst a major upgrade of software and measures to support Natural England confederation working and CRC mobile working was implemented. Contract changes were agreed that increased flexibility in support of MRD changes and provide for replacement of a range of old laptop computers.

A core training programme to underpin the Agency's competency framework based on a corporate training needs analysis was implemented.

Support to help give staff confidence in the job market has been made available to staff at risk of redundancy or who had to apply for jobs to follow their work to Regional Development Agencies and Government Offices.

Effective corporate governance

25. Key achievements for the corporate governance team included the delivery of the 2004-07 Corporate Plan supported by detailed business plans, whilst supporting additional strategic reviews and board activity arising from the MRD programme. The Corporate Plan itself, outlining specific measurable outcomes for 2004/05, has been monitored through the year with regular reporting to the Board and Defra. Internal Audit activity continues to be delivered effectively, reprioritizing review and assurance work as required by current transitional plans. The Internal Audit work programme has been delivered within budget including additional risk assessment work relating to the MRD review.

The services provided to support the Board, Audit and Risk Management Committee and Executive Management have continued to be refined, especially in light of changes to corporate governance required to implement the Rural Strategy. Working with our confederation partners and colleagues in Defra we made a significant contribution to the draft Natural Environment and Rural Communities Bill, which contains the legislation required to deliver Defra's Rural Strategy 2004.

Agency members

26. At the end of March 2005 the Board comprised the following members:

- Dr Stuart Burgess, Chairman (appointed 13 September 2004)
- Pam Warhurst, Deputy Chairman (Acting Chair from 1 April 04 to 13 September 2004)
- Dr Tayo Adebawale
- Kate Ashbrook
- Sir Martin Doughty (until 31 March 2005)
- Peter Fane
- Norman Glass CB
- Anthony D M Hams, OBE

- The Rt Rev Graham James
- Professor Philip Lowe, OBE
- Alison McLean
- Frances Rowe (until 31 March 2005)
- John Varley

Register of interests

27. A register of the interests of the Agency members, as well as for senior staff, is maintained. It includes the following information:

The senior staff:

Margaret Clark, OBE, member of the Committee of the Hastoe Housing Association and a member of the Association's audit and sub-pay committees, Trustee of the Arkleton Trust, Chair of the OECD Working Party on Territorial Development in Rural Areas and member of the Carnegie Commission for Rural Community Development. Fellow of the Royal Society of Arts.

Tim Lunel has recorded no 'interests' against his name.

Tracey Slaven, member of the Gloucestershire Wildlife Trust.

Andrew Wood, co-opted member of the Audit Committee of the Wales Council for Voluntary Action.

Brian Wilson, ordinary member of the National Trust and Royal Society for the Protection of Birds.

Members' interests:

Dr Stuart Burgess, - Chairman

Chair of the York and Hull District of the Methodist Church. Member of the Ethics Committee for the Department of Work and Pensions. Co-Chair of the BMA Patient Liaison Group. Member of the BMA Council and the University Courts of Nottingham and Hull.

Pam Warhurst

Co-op member of the Bear Wholefoods Co-operative. Trustee of the Earth Centre, Doncaster. Fellow of the RSA and a member of the Advisory Board of QMW Public Policy Seminars.

Dr Tayo Adebowale

Independent Environmental Consultant with clients including the Environment Agency and WS Atkins. Chair of the Chartered Institute of Water and Environmental Management, North Western and North Wales Branch. Brother is Lord Victor Adebowale of Turning Point and Patron of the Tomorrow Project. Sister is a Board Member of English Heritage and a Director of Capacity Global.

Kate Ashbrook

General Secretary of the Open Spaces Society. Director and Chairman of the Council for National Parks. Director and member of the Executive Committee of the Ramblers' Association. President of the Dartmoor Preservation Association. Member of the Wildlife and Countryside Link. Member of the Institute of Public Rights of Way Officers.

Sir Martin Doughty

Chairman of English Nature. Chair of Hope Valley and High Peak Transport Partnership. Chair New Mills Heritage Centre Management Committee. Chair Torr Vale Mill Trust. Vice-President, Peak and Northern Footpaths Society. Vice President, Arkwright Society. Member of Derbyshire County Council. Member of Peak District National Park Authority. Member New Mills Town Council. Ordinary Member National Trust. Ordinary Member RSPB. Fellow of the Royal Society of Arts. Member of the Chartered Institute of Water and Environmental Management. Member of the Rural Affairs Forum for England. Patron of the Institute of Ecology and Environmental Management. Member, St James the Less Preservation Trust. Patron, Creswell Crags Heritage Trust.

Peter Fane

Farmer and landowner of arable farm, Debach and Tattingstone, Suffolk. Director of Eurinco Limited (European Policy Consultancy). Director of AARC. Director and member of Freightliners City Farm management committee. Member of the Royal Institute of Chartered Surveyors Countryside Policies Panel. Member of the Country Land and Business Association committee. Member and Director of Oxford Farming Conference Ltd. Council member of British Council of Agricultural Consultants.

Anthony Hams, OBE

Part-time consultancy, Anthony Hams & Associates (consultancy and advice on sustainable development). Director and Trustee of The Green Alliance. Chairman of the East Midlands Regional Heritage Lottery Fund Committee. Chairman of the Peak District National Park Authority. Secretary of State's appointment to Peak District National Park Authority. Member of the Association of National Park Authorities, Open Spaces Society, East Midlands Rural Affairs Forum, East Midlands Roundtable for Sustainable Development and the Forestry Commission Advisory Panel.

The Rt Rev Graham James

Bishop of Norwich. Spiritual Peer in the House of Lords. Director of the Norwich Diocesan Board of Finance Ltd. Director, Norwich Community Foundation. Trustee of the George Bell Institute. Chairman of the Central Religious Advisory Committee (BBC & OFCOM). Chairman of the Rural Bishops' Panel. Vice-President and Trustee of Norfolk Rural Community Council. Trustee of the Norwich Heritage and Regeneration Trust. Member of the Norfolk County Strategic Partnership Board.

Professor Philip Lowe, OBE

Professor of Rural Economy, University of Newcastle upon Tyne. Member of English Nature's Socio-Economic Advisory Group. Member of Defra's Science Advisory Panel. Director of the Rural Economy and Land Use Programme of the UK Research Councils. Chairman of the Evidence Sub-Committee of the Rural Affairs Forum for England. Member, Defra's Agricultural Academics Advisory Panel.

Norman Glass CB

Chief Executive, National Centre for Social Research. Chair, High Scope UK. Board Member, Skillforce.

Alison Mclean

Salaried post with Shropshire County Council, Regeneration Zone Director. Director of New Theatre Works, The Courtyard, Hereford. Board member of the Regeneration Centre of Excellence for the West Midlands. Executive Committee member of the Shropshire Partnership.

Frances Rowe

Salaried post with One NorthEast. Member of the National Trust, English Heritage and the Royal Society for the Protection of Birds. Member of the Council for National Parks. Member of the North East Rural Affairs Forum.

John Varley

Director of Clinton Devon Estates (which manages property and land holdings in North and East Devon). Director of CCH Property Company Limited (which invests in commercial property primarily in the south west of England). Director of Filmit Locations Limited, a company facilitating provision of locations for film companies. Trustee of Lord Clinton's Charitable Trust and the Clinton Devon Estate's employee pension scheme. Member of the Dorset and East Devon World Heritage Site Steering Group. Trustee of the David Arnold-Forster Trust. Member of the South West Sustainable Food and Farming Strategy Steering Group. Ex-officio member of South West Chamber of Rural Enterprise. Member (Social and Economic) Partner representing Agriculture/Rural Economy on South West Regional Assembly. Ordinary member of the Institute of Directors, Royal Society for the Protection of Birds, the Countryside Alliance, the British Horse Society, the British Deer Society, and the National Farmers Union. Fellow of the Chartered Institute of Marketing.

A copy of the register can be accessed on the Countryside Agency website at www.countryside.gov.uk

MARGARET CLARK
Acting Chief Executive
11 July 2005

STUART BURGESS
Chairman
11 July 2005

Foreword to Accounts

History and statutory background

1. 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. In general, the Countryside Agency is the statutory body working to make the quality of life better for people in the countryside and the quality of the countryside better for everyone. The Countryside Agency's sponsor is the Department for Environment, Food and Rural Affairs (Defra).
2. 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

3. 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 £114,423,000. The gross income in respect of revenue expenditure, including direct Grant-in-aid of £93,470,000 amounted to £111,704,000 leaving an operating deficit for the year of £2,719,000. The retained deficit for the year is £2,473,000. The Countryside Agency reports a retained deficit of £3,229,000 carried forward to 2005/06.
4. 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 £2,070,000 for 2004/05.

Performance against financial targets

5. The Agency has no formal agreed financial targets.

Business

6. The Countryside Agency planned and managed its work under various strategic programme themes within four main Directorates and eleven sub-categories designated in the Corporate Plan as aims:

Directorate A - Making life better for people in the countryside

- Vital Villages: empowered, active and inclusive communities
- Essential Services: high standards of rural services
- New Enterprise: vibrant local economies

Directorate B – Improving the quality of the countryside for everyone

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

Directorate C – Rural intelligence and influence

- Evidence and Analysis: a robust rural evidence base
- Agency know how and show how shared through good communications
- Agency intelligence and influence gathered and spread through eight regional networks

Directorate D – Enabling

- Equipping the Agency to deliver
- Effective Corporate Governance

7. A review of the Agency's activities in 2004/05 is included in the Annual Report produced as part of this document.

Fixed assets

8. All assets are accounted for under modified historical cost accounting. These assets are valued at depreciated replacement cost and have been updated using the price indices published by the Office for National Statistics.

Research and development

9. Sections 2(8) and 4 of the Countryside Act 1968, as amended by Section 40 of the Wildlife and Countryside Act 1981, enable the Agency to carry out or commission such inquiries, investigations, research and experiments, either on its own account or jointly with other persons, as it may deem necessary or expedient for the purposes of its functions. 11.49% of the Agency's Grant-in-aid was spent on work of this nature in 2004/05.

Grants

10. Under the terms of Section 9 of the Local Government Act 1974, the Agency may, in accordance with the arrangements approved by both the Secretary of State for the Environment, Food and Rural Affairs, and the Treasury, give financial assistance by way of grants towards expenditure incurred by other bodies in doing anything which, in the opinion of the Agency, is conducive to the attainment of any of the Agency's statutory purposes. Section 9 public grants accounted for 23.05% of the Agency's Grant-in-aid in 2004/05.

Accounting practices

11. The Agency's accounts are reported on a full accruals basis.

Going concern

12. The balance sheet at 31 March 2005 shows net liabilities of £3,229,000. This reflects the inclusion of liabilities falling due in future years which, 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 2005/06, 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

- 13.** On 8 November 2002 the Government announced the appointment of Lord Haskins to review delivery of its rural policies. The findings of this review were released on 11 November 2003 and were followed by a Defra-led review entitled Modernising Rural Delivery (MRD).

MRD 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 Countryside Agency should close. Instead, the Countryside Agency's work is being refocused to form a smaller successor to the Countryside Agency which will be known as the Commission for Rural Communities (CRC) and a new integrated agency will be formed from English Nature, parts of the Rural Development Service of Defra and our work in landscapes, access and recreation (encompassing the Living landscapes, Wider welcome and Countryside for towns programmes). This new body will be known as Natural England.

Legislation required for the creation of Natural England and the Commission for Rural Communities is expected to be delivered during the 2005/06 legislative programme and a Draft Natural Environment and Rural Communities Bill was published in February 2005. Internal restructuring will take place in parallel with the legislative programme to align Countryside Agency activities to the new external structures.

Agency members

- 14.** Dr Stuart Burgess, Chairman (From 13.09.04)
 Pam Warhurst, (Acting Chairman from 01.04.04 to 13.09.04)
 Kate Ashbrook
 Sir Martin Doughty
 Peter Fane
 Anthony D M Hams, OBE
 The Rt Rev Graham James
 Professor Philip Lowe, OBE
 Alison McLean
 Frances Rowe
 John Varley
 Dr Tayo Adebawale
 Norman Glass, CB

On 3 March 2005, Rural Affairs Minister Alun Michael renewed the appointments of Deputy Chair Pam Warhurst, Kate Ashbrook, Professor Philip Lowe, Alison McLean and John Varley. Frances Rowe and Sir Martin Doughty left the board when their terms expired on 31 March 2005.

Register of interests

- 15.** A register of the interests of the Agency members, as well as for senior staff, is maintained and updated no less than annually. It includes related party transactions and the activities of close family members in order to meet the approved reporting standards in full. Further details can be found in paragraph 28 of the Annual Report.

A copy of the register can be accessed on the Countryside Agency website at www.countryside.gov.uk

Equal opportunities

- 16.** The Countryside Agency is an equal opportunities employer. The Agency is committed to promoting equal opportunities for all its staff and welcomes applications for employment from all sections of the community.

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.

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.

Employee involvement

- 17.** 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.

Greening operations

- 18.** 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.

Payment of creditors

- 19.** 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 91% of invoices and grants within 20 days of receipt, and 92% within 30 days. The average number of days to pay invoices was nine days from receipt for the year ended 31 March 2005.

Open Government

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

Auditors

- 21.** 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 £37,000 were incurred in respect of 2004/05 (£35,000 2003/04). No further fees were paid to the National Audit Office during the year for consultancy work.

MARGARET CLARK
Acting Chief Executive
11 July 2005

STUART BURGESS
Chairman
11 July 2005

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. Her relevant responsibilities as Accounting Officer, including her 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.

Margaret Clark
Acting Chief Executive
11 July 2005

Statement on Internal Control

Scope of responsibility

1. 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. 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.

The purpose of the system of internal control

2. 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 2005 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

3. 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, we consider the Agency to be a low risk environment.

Significant Control Issues

4. The 2004 Rural Strategy, now included in the Natural Environment and Rural Communities Bill, provides for the activities of the Agency's Commission for Rural Communities division to be carried forward by a new Non-Departmental Public Body and the activities of the Agency's Landscape, Access and Recreation division to be included in the activities of a new Non-Departmental Body to be called Natural England. The activities of the Agency's Evaluating, Disseminating and Mainstreaming division have been transferred to the Regional Development Agencies and Defra from 1 April 2005. These transitions involve significant internal control issues. In the short term, the proposals themselves might pose risks to Agency's deliveries and the systems that support them as a result of heavier workload through the period of organisational change.
5. In particular, the Agency recognises the risks of letting and managing contracts during such a transition process. An appropriate control environment is being provided to allow the continued demonstration of regularity, propriety and value for money from MRD related contracts.

The risk and control framework

6. The challenges of the NERC Bill are being managed in several ways. Resources and priorities continue to be redirected to strengthen the Agency's management and governance during the interim 'confederation period', and for full engagement with Defra and other stakeholders, particularly English Nature and the Rural Development Service, to take place. Programmes and priorities have been re-examined and targets adjusted accordingly. Risks continue to be revised as necessary, led by the Executive Committee with advice from the Audit and Risk Management Committee, to ensure that the Agency responds to this uncertainty and expected change. Defra has acknowledged the resource implications and has made some funds available for additional staffing during this period.
7. Staff have been advised on the governance issues that relate to confederated working to ensure that accountabilities and responsibilities are clear. Engagement with Defra and partners has also focused on ensuring controls and accountabilities will be maintained in the longer term, for example, by effective sponsorship arrangements and through ensuring that meeting the efficiency targets for Natural England does not compromise delivery and accountability.
8. The main processes for identifying, evaluating and managing risk are:
 - 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;
 - a Board which meets regularly to consider the plans and strategic direction of the Agency and which considers the risk elements of all proposals it discusses;
 - a comprehensive corporate planning system with identified programmes of action and resources;
 - a corporate risk identification process that identifies and assists in the management of key corporate risks;
 - regular reports and advice by Internal Audit on the adequacy of control systems in areas reviewed and recommendations for improvement;
 - key question lists, provided by my Head of Internal Audit, for me to use in conjunction with higher risk activities
 - an Audit and Risk Management Committee which receives regular reports on aspects of risk management and internal control and reviews the corporate risk management methodology.

Our management of risk is embedded in planning and delivery through:

- individual business plans, identifying issues to be addressed, actions to be taken and risks to achieving outcomes economically, efficiently and effectively;
- continuous monitoring and 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, with regular reports to the Executive and the Board;
- formal project management disciplines, where needed.

Review of effectiveness

9. 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 work of the internal auditors and the Executive Directors within the Agency who have responsibility for the development and maintenance of the internal control framework 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 continuous improvement of the system are in place.
10. Executive Directors and Programme Directors have provided me with assurance in their specific areas through stewardship statements and I am further informed by the confirmation on the effectiveness of the control systems included in the opinion provided by my Head of Internal Audit.
11. 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.

Margaret Clark
Acting Chief Executive
11 July 2005

The Certificate of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on pages 27 to 52 under the Wildlife and Countryside Act 1981. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 32 to 34.

Respective responsibilities of the Countryside Agency, the Chief Executive and Auditor

As described on page 21, the Countryside Agency and Chief Executive are responsible for the preparation of the financial statements 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 for ensuring the regularity of financial transactions. The Countryside Agency and Chief Executive are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Wildlife and Countryside Act 1981 and directions made thereunder by the Secretary of State, and 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 if, in my opinion, the Foreword is not consistent with the financial statements, if the Agency has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

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 certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 22 to 24 reflects the Agency's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Countryside Agency and Chief Executive in the

preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 are free from material misstatement, whether caused by error, or by fraud or other irregularity 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 have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Countryside Agency at 31 March 2005 and of the deficit, total recognised gains and losses and cash flows for the year then ended and 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

14 July 2005

The maintenance and integrity of Countryside Agency's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Income and Expenditure Account for the year ended 31 March 2005

	Notes	2004/05 £000	2003/04 £000
Gross income			
Grant-in-aid	2	93,470	97,228
Other grants received	3	14,009	11,238
Income from activities	3	4,056	599
Government Grant Reserve	17	169	257
		111,704	109,322
Expenditure			
Grants paid	4	52,071	54,587
Staff costs	5	22,815	18,016
Other operating costs	7	39,368	36,766
Depreciation and indexation	10	169	257
		114,423	109,626
Operating deficit for the financial year		(2,719)	(304)
Other finance costs	6	(119)	(114)
Interest receivable	8	365	312
Notional cost of capital	9	68	24
Deficit on ordinary activities		(2,405)	(82)
Transfers and appropriations:			
Notional cost of capital reversal	9	(68)	(24)
Retained deficit for the financial year.		(2,473)	(106)

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 22.

The notes on pages 32 to 52 form part of these accounts.

Statement of Total Recognised Gains and Losses for the year ended 31 March 2005

	Notes	2004/05 £000	2003/04 £000
Surplus for the year after taxation		(2,473)	(106)
Actuarial gains/(losses)	6	43	(149)
Grant-in-aid receivable not released to I&E account	2	130	344
Total recognised (losses)/gains for the year		<u>(2,300)</u>	<u>89</u>
Prior period adjustments			<u>(1,406)</u>
Total gains and losses recognised since last report		<u>(2,300)</u>	<u>(1,317)</u>

The notes on pages 32 to 52 form part of these accounts.

Balance Sheet as at 31 March 2005

	Notes	2004/05 £000	2004/05 £000	2003/04 £000
Fixed assets				
Tangible Fixed Assets	10		3,366	3,408
Debtors due after more than one year				
Loans	11	700		700
Accrual for Redundancy Funding	16	433		-
			<u>1,133</u>	<u>700</u>
Current assets				
Stocks	12	34		22
Debtors	13	14,521		13,642
Cash at bank and at hand		5,979		7,171
		<u>20,534</u>		<u>20,835</u>
Creditors				
Amounts falling due within one year	14	(23,233)		(23,118)
Net current liabilities			<u>(2,699)</u>	<u>(2,283)</u>
Total assets less current liabilities			<u>1,800</u>	<u>1,825</u>
Provisions for liabilities and charges				
Provision for early-retirement costs	15	(540)		(924)
Provision for redundancy costs	16	(2,748)		-
			<u>(3,288)</u>	<u>(924)</u>
Net (liabilities)/assets excluding pension liability			<u>(1,488)</u>	<u>901</u>
Pension liability	6		<u>(1,741)</u>	<u>(1,661)</u>
Net liabilities including pension liability			<u>(3,229)</u>	<u>(760)</u>
Financed by:				
Capital and reserves				
Income and Expenditure account	18		<u>(6,532)</u>	<u>(4,102)</u>
Government Grant Reserve	17		<u>3,299</u>	<u>3,338</u>
Donated Asset Reserve			<u>4</u>	<u>4</u>
			<u>(3,229)</u>	<u>(760)</u>

The notes on pages 32 to 52 form part of these accounts.

Margaret Clark
Acting Chief Executive
11 July 2005

Stuart Burgess
Chairman
11 July 2005

Cash Flow Statement for the year ended 31 March 2005

	Notes	2004/05 £000	2003/05 £000	2003/04 £000
Net cash outflow from operating activities	1	(1,557)		(6,247)
Returns on investments and servicing of finance				
Interest received		<u>365</u>		<u>312</u>
Net cash inflow from returns on investment and servicing of finance		365		312
Capital expenditure and financial investment				
Payments to acquire fixed assets		<u>(130)</u>		<u>(344)</u>
Net cash outflow from investing activities		(130)		(344)
Net cash outflow before financing			(1,322)	(6,279)
Financing				
Grant-in-aid received used to finance the purchase of fixed assets		<u>130</u>		<u>344</u>
Net cash outflow from financing			<u>130</u>	<u>344</u>
Net cash outflow for the year	2		<u>(1,192)</u>	<u>(5,935)</u>

The notes on page 31 form part of the Cash Flow Statement.

Notes to the Cash Flow Statement for the year ended 31 March 2005

Note 1

Reconciliation of operating deficit to net cash outflow from operating activities

	2004/05	2003/04
	£000	£000
Operating deficit	(2,719)	(304)
Depreciation	195	238
Indexation	(26)	19
Release from Government grant reserve	(169)	(257)
Loss on sale office equipment	3	10
Increase in stocks	(12)	(8)
Increase in debtors	(1,312)	(7,787)
Increase in creditors	115	2,254
Transfer to provision for early-retirement costs	(384)	(404)
Increase in redundancy provision	2,748	-
Increase in pension liability	80	255
Actuarial gains/(losses) on pension liability	43	(149)
Interest on pension liability	(119)	(114)
Net cash outflow from operating activities	<u>(1,557)</u>	<u>(6,247)</u>

Note 2

Analysis of changes in net funds over the year

	2004/05	2003/04
	£000	£000
Cash balance at 1 April	7,171	13,106
Net cash outflow	<u>(1,192)</u>	<u>(5,935)</u>
Cash balance at 31 March	<u>5,979</u>	<u>7,171</u>

Note 3

All of the Countryside Agency's liquid resources are in the form of cash.

Notes to the accounts

Statement of Accounting policies

1 (a) Accounting Convention

These accounts have been prepared by the Agency with the consent of the Treasury in accordance with Schedule 13 paragraph 11 (1) of the Wildlife & Countryside Act 1981.

The accounts are intended without limiting the information given, to meet the requirements of the Companies Act 1985 and the Accounting Standards approved by the Accounting Standards Board so far as these requirements are appropriate.

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain assets. They are produced in accordance with the Accounts Direction given by the Secretary of State for the Department for Environment, Food and Rural Affairs.

(b) Tangible Fixed Assets and Depreciation

The Agency undertook a revaluation of freehold properties in March 2001.

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

(i) Grants payable are accounted for on an accruals basis.

Each offer of grant is tied to a specific due date which may span across 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.

- (ii) 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 deferred Government grants 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 Inland Revenue 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 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 were 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.

Grant-in-aid

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

	2004/05 £000	2003/04 £000
Grant-in-aid received from Defra	94,163	90,772
Opening Grant-in-aid debtor	(7,300)	(500)
Closing Grant-in-aid debtor	6,737	7,300
Total Grant-in-aid receivable	<u>93,600</u>	<u>97,572</u>
Grants Paid:	52,071	54,587
Transferred Activities	(2,336)	
Staff Costs funded by Grant-in-aid	22,803	18,008
Pension Payments Funded by Grant-in-aid	7	8
Payment of pension contributions for Chair	1	8
Other Operating Costs	39,354	36,766
Purchases of Fixed Assets	130	344
	<u>112,030</u>	<u>109,721</u>
<i>Less</i>		
Other Grants	14,009	11,238
Other Receipts	4,056	599
Interest receivable	365	312
	<u>18,430</u>	<u>12,149</u>
Total Grant-in-aid Utilised	<u>93,600</u>	<u>97,572</u>
Grant-in-aid applied to capital expenditure	130	344
Grant-in-aid credited to Income and Expenditure account	93,470	97,228
	<u>93,600</u>	<u>97,572</u>

A total of £39,368,000 of operating costs were incurred in the year. However, of this £14,000 relates to an in year adjustment, which has no impact on future Grant-in-aid draw down. This has therefore been excluded from the figures above.

Staff Costs**5**

	2004/05	2004/05	2003/04
	£000	£000	£000
(a) Salaries			
Chairman	61		48
Members	158		132
Staff	15,573		14,498
		15,792	14,678
(b) Social Security Costs			
Chairman	8		5
Members	15		9
Staff	1,153		1,038
		1,176	1,052
(c) Superannuation			
Staff	2,070		1,966
		2,070	1,966
(d) Seconded staff costs		53	10
(e) Agency staff costs		610	304
(f) RCC Scheme current service cost (note 6)		3	(2)
(g) Chairmen's scheme current service cost (note 6)		9	10
(h) Early retirement Costs		286	402
(i) Release of early retirement provision (note 15)		(384)	(404)
(j) Provision for early retirement (note 15)		3,200	-
		22,815	18,016

Staff costs include £516,000 relating to MRD (see Note 1(k)).

In accordance with Treasury guidance the following disclosure relates to senior managers' remuneration.

Salary and Pension entitlements of the Directors

Richard Wakeford resigned as Chief Executive from 31 December 2004 Margaret Clark was temporarily appointed as acting Chief Executive from 1 January 2005 and Brian Wilson was temporarily promoted to Director from the same date to cover for Margaret Clark. Sarah Sleet left the Agency on 18 May 2004. Andrew Wood was appointed Director of Evaluating, Disseminating and Mainstreaming on 7 June 2004.

The pay of senior managers is determined by analogy to that of the Senior Civil Service (SCS). Performance related pay is calculated 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.

Other business interests of senior managers are disclosed in the annual report paragraph 27.

Tim Lunel was employed under a two year fixed term contract that began on 6 January 2003 and expired on 31 May 2005. Andrew Wood is employed under an eighteen month fixed term contract that began on 7 June 2004. All other members of the senior management team are employed under permanent contracts.

Name	Salary	PRP	Real increase in pension at age 60	Total accrued pension at age 60 as at 31/3/2005	CETV at 31/03/04	CETV at 31/03/05	Real increase in CETV after adjustment for inflation and changes in market investment factors	Pension contribution
	(1) (£000)	(2) (£000)	(3) (£000)	(4) (£000)	(5) (£000)	(6) (£000)	(7) (£000)	(8) (£000)
Richard Wakeford <i>Chief Executive</i> Until 31/12/05 (110 - 115 full year equivalent)	80 - 85	2.5 - 5	0 - 2.5	35 - 40	575	627	19	0 - 2.5
Margaret Clark <i>Acting Chief Executive</i> From 01/01/05	80 - 85	2.5 - 5	2.5 - 5	35 - 40	649	716	37	0 - 2.5
Tim Lunel <i>Director</i>	65 - 70	-	15 - 20	15 - 20	11	147	29	0 - 2.5
Sarah Sleet <i>Director</i> Until 21/05/04 (55 - 60 full year equivalent)	5 - 10	-	0 - 2.5	2.5 - 5	29	31	1	0 - 2.5
Tracey Slaven <i>Director</i>	65 - 70	2.5 - 5	0 - 2.5	0 - 2.5	6	17	8	0 - 2.5
Andrew Wood <i>Director</i> From 07/06/04 (75 - 80 full year equivalent)	55 - 60	2.5 - 5	0 - 2.5	0 - 2.5	-	13	10	2.5 - 5
Brian Wilson <i>Director</i> From 01/01/05 (60 - 65 full year equivalent)	15 - 20	-	0 - 2.5	10 - 15	145	168	10	2.5 - 5

Salary

(i) '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.

Pension

(ii) 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 unfounded with the cost of benefits met by monies voted by Parliament each year. New entrants after 1 October 2002 may choose between membership 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 CSP arrangements can be found at the website www.civilservice-pensions.gov.uk

Columns 5 & 6 of the above table show the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column 7 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.

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 benefit accrued to the 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.

Benefits in kind

(iii) The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument.

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. 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 (PCSPPS). Total accrued pension at age 60 as at 31.3.05 amounted to £354, which is a real increase of £354.

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 resign office by giving not less than one month notice in writing to the Secretary of State.

The Chairman (Rev Stuart Burgess) is contracted in terms of time commitment to 3 days per week. The Deputy Chairman (Pam Warhurst) is contracted in terms of time commitment to 1.5 days per week. The remaining Board members are contracted in terms of time commitment to 2.5 days per month.

The Salary and Pension entitlements of Members

	Age	Salary, including pension (£000)	Appointment Date	Termination Date
Rev Stuart Burgess <i>Chairman</i>	65	30 - 35	13 Sep 04	12 Sep 07
Pam Warhurst <i>Deputy Chairman</i> (Acting Chairman from 01/04/04 to 13/09/04)	54	45 - 50	1 Apr 99	31 Mar 08
Dr Tayo Adebawale	41	20 - 25	1 Apr 03	31 Mar 06
Kate Ashbrook	50	20 - 25	1 Apr 99	31 Mar 08
Sir Martin Doughty	55	5-10	1 Apr 99	31 Mar 05
Peter Fane	48	15 - 20	1 Apr 00	31 Mar 06
Norman Glass	58	5-10	1 Apr 03	31 Mar 06
Anthony Hams, OBE	58	20 - 25	1 Apr 00	31 Mar 06
Rt Rev Graham James	54	5-10	1 Apr 01	31 Mar 07
Alison McLean	54	5-10	1 Aug 02	31 Mar 08
Prof. Philip Lowe	55	5-10	1 Apr 99	31 Mar 08
Frances Rowe	48	5-10	1 Apr 99	31 Mar 05
John Varley	44	15 - 20	1 Apr 02	31 Mar 08

The Chairman's remuneration includes £1,089 of pension contributions. The Chairman's pension increased in real terms by £354, and the CETV increased from £nil to £4,541 with a real increase as funded by the employer of £2,270. As at the year end the total accrued pension at age 60 was £354.

On 3 March 2005, Rural Affairs Minister Alun Michael renewed the appointments of Deputy Chair Pam Warhurst Kate Ashbrook, Professor Philip Lowe, Alison McLean and John Varley. Frances Rowe and Sir John Varley left the board when their terms expired on 31 March 2005.

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

	2004/05	2003/04
	No.	No.
Directors and other managerial staff	44	39
Middle managers, countryside and other professional staff	518	521
Administrative and secretarial staff	121	123
Agency/temporary staff	50	21
	733	704

Defined Benefit Schemes

6 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).

For 2004/05, employers' contributions of £2,070,000 were payable to the PCSPS (2003/04 £1,967,366) at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. Rates will remain the same next year, subject to revalorisation of the salary bands, but will increase from 2005/06. 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.

There were no contributions due to the **partnership** pension providers at the balance sheet date. There were no contributions prepaid at that date.

By-analogy scheme

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 2005 by the Government Actuary's Department. The major assumptions used by the actuary were:

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

Present value of scheme liabilities

	At 31/03/05 £000	At 31/03/04 £000
Present value of scheme liabilities:		
RCC Directors	1,596	1,523
Ex-Chairmen	145	138
	<u>1,741</u>	<u>1,661</u>

Analysis of the amount charged to operating profit

	2004/05 £000	2004/05 £000	2003/04 £000
Current service cost:			
RCC Directors			
Gross Current service cost	67		65
Funded by RCC	<u>(64)</u>		<u>(67)</u>
Ex-Chairmen		3	(2)
Gross Current service cost		<u>9</u>	<u>10</u>
Total operating charges		<u>12</u>	<u>8</u>

Analysis of amount charged to other finance charges

	2004/05 £000	2003/04 £000
Interest on pension liabilities		
RCC Directors	108	103
Ex-Chairmen	<u>11</u>	<u>11</u>
	<u>119</u>	<u>114</u>

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2004/05 £000	2003/04 £000
Experience gains and losses arising on the scheme liabilities:		
RCC Directors	(44)	15
Ex-Chairmen	(8)	(23)
Changes in assumptions underlying the present value of scheme liabilities:		
RCC Directors	6	122
Ex-Chairmen	<u>3</u>	<u>35</u>
Total actuarial gains / (losses)	<u>(43)</u>	<u>149</u>

Movement in deficit during the year: RCC Directors

	2004/05	2003/04
	£000	£000
Deficit in scheme at beginning of the year	1523	1285
<i>Movement in year:</i>		
Current service cost	67	65
Contributions	(64)	(67)
Other finance costs	108	103
Actuarial gain/(loss)	(38)	137
Deficit in scheme at end of the year	1596	1523

The actuarial valuation at 31 March 2005 showed an increase in the deficit from £1,523,000 to £1,596,000. Contributions are determined at levels by-analogy to the PCSPS.

Movement in deficit during the year: Ex-chairmen

	2004/05	2003/04
	£000	£000
Deficit in scheme at beginning of the year	138	121
<i>Movement in year:</i>		
Current service cost	9	10
Contributions	(1)	(8)
Pensions paid	(7)	(8)
Other finance costs	11	11
Actuarial gain/(loss)	(5)	12
Deficit in scheme at end of the year	145	138

The actuarial valuation at 31 March 2005 showed an increase in the deficit from £138,000 to £145,000. All members of the scheme are now either being paid pensions or have deferred their pension, therefore no contributions are being made to this scheme.

History of experience gains and losses: RCC Directors

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

History of experience gains and losses: Ex-Chairmen

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

Other Operating Costs**7**

	2004/05	2003/04
	£000	£000
(a) Administrative costs	5,665	4,850
(b) Travel and Subsistence	1,609	1,303
(c) Investigations, inquiries, research & experiments	13,109	17,773
(d) Publicity & information	5,655	3,516
(e) Other expenditure	7,359	3,662
(f) Rentals under operating leases plant	28	24
(g) Rentals under operating leases other	1,344	1,489
(h) Revenue element of PFI agreement (see notes 1, 10 and 20)	4,599	4,149
	<u>39,368</u>	<u>36,766</u>

(a) (i) These include provision for an external audit fee of £37,000 in respect of 2004/05 (£35,000 2003/04) No further fees were paid to the National Audit Office during the year for consultancy work.

(a) (ii) There was no interest payable in respect of 2004/05 or 2003/04.

Included in operating costs is £1,516,000 of expenditure relating to MRD.

Interest Receivable**8**

	2004/05	2003/04
	£000	£000
Bank deposit interest	341	278
Interest from loans repayable after one year	24	34
	<u>365</u>	<u>312</u>

Notional Costs**9**

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 as 3.5% (3.5% 2003/04) of the average total assets less 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.

Tangible Fixed Assets

10

	Freehold Buildings	Office Equipment	IT Equipment	Total
	£000	£000	£000	2004/05 £000
At Cost or Valuation				
As at 1 April 2004	3,267	978	1,525	5,770
Additions during the year	0	130	0	130
Revaluation	0	39	(11)	28
Disposal during the year	0	(8)	(1,424)	(1,432)
As at 31 March 2005	<u>3,267</u>	<u>1,139</u>	<u>90</u>	<u>4,496</u>
Less Depreciation				
As at 1 April 2004	527	333	1,502	2,362
Charge for the year	75	107	13	195
Disposals	0	(5)	(1,424)	(1,429)
Re-indexation of accumulated depreciation	0	11	(9)	2
As at 31 March 2005	<u>602</u>	<u>446</u>	<u>82</u>	<u>1,130</u>
Net Book Value				
As at 31 March 2005	2,665	693	8	3,366
As at 31 March 2004	2,740	645	23	3,408

Freehold buildings held as fixed assets were professionally valued by the District Valuer of the Valuation Office as at 31 March 2001 on the basis of Open Market Value as defined by the Royal Institution of Chartered Surveyors. Valuations of the Countryside Agency's freehold buildings will be undertaken at intervals of not more than 5 years. Indexation tables were referred to ensure that no material change in value had occurred in the year.

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

In year disposals relate to IT assets purchased under a PFI arrangement with IBM (see notes 1 and 20). Under the arrangement the Countryside Agency retained a residual interest in the assets. These assets have now been replaced under this contract, with no residual interest being retained by the Countryside Agency.

The residuary of IT assets represent assets purchased outside of the PFI agreement.

Debtors due after more than one year

11

	2004/05	2003/04
	£000	£000
Accrual for redundancy funding (note 16)	433	-
Village Hall Loan Fund	700	700
	<u>1,133</u>	<u>700</u>

Stock and work in progress	12		
		2004/05	2003/04
		£000	£000
	Publications	19	11
	Walking the Way to Health Initiative	15	11
		<u>34</u>	<u>22</u>

Debtors	13		
		2004/05	2003/04
		£000	£000
	Trade debtors	489	127
	Other debtors	433	285
	Prepayments	1,864	2,619
	Accrued income	4,196	3,272
	Grant-in-aid debtor	6,738	7,300
	Redundancy funding due within one year (note 16)	767	-
	Loans repayable within one year	34	39
		<u>14,521</u>	<u>13,642</u>

As at 31 March 2005 the aggregate value of all loans to staff was £33,616 (2003/04, £38,938)

Creditors	14		
		2004/05	2003/04
		£000	£000
	Consolidated Fund creditor	108	15
	Payments received on account	1,060	1,789
	Trade creditors	1,304	1,041
	Accruals	20,742	20,234
	Other creditors	17	25
	VAT creditor	2	14
		<u>23,233</u>	<u>23,118</u>

Early Retirement Provision	15		
		2004/05	2003/04
		£000	£000
	Opening balance at 1 April	924	1,328
	Retirement costs paid this year	(286)	(402)
	Provision utilised in the year	(98)	(2)
	Balance carried forward at 31 March	<u>540</u>	<u>924</u>

This provision is required to meet current estimated obligations in respect of decisions taken on early retirement up to the end of 2004/05.

**Redundancy
Provision**

- 16** As part of the reorganisation of the Countryside Agency a number of the Countryside Agency's functions were transferred to Regional Development Agency's and Defra (see note 22 Post Balance Sheet Events for more details). As a result some staff redundancies occurred. The total ongoing liability to the Agency for these costs has been forecast to be £3,200,000.

This is matched by an asset representing future funding from Defra to meet these costs, as they arise, outside of the normal Grant-in-aid. Therefore the net cost to the Agency is nil.

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

<i>Asset</i>	2004/05	
	£000	
Opening balance at 1 April	0	
Funding recognised in the year	3,200	
Funding received in the year	<u>(2,000)</u>	
Balance carried forward at 31 March	<u>1,200</u>	
	2004/05	
	£000	
Due within less than one year (note 13)	767	
Due within more than one year (note 11)	<u>433</u>	
Balance carried forward at 31 March	<u>1,200</u>	
<i>Liability</i>	2004/05	
	£000	
Opening balance at 1 April	0	
Costs provided for in the year	3,200	
Provision utilised in the year	<u>(452)</u>	
Balance carried forward at 31 March	<u>2,748</u>	

Amounts released from the provision relate to sums agreed prior to the year-end for staff that left the Agency on the 31 March 2005. Of the £452,000, £95,000 was paid in year and the balance of £357,000 is included in accruals at 31 March 2005.

**Government Grant
Reserve**

17	2004/05	2003/04
	£000	£000
Opening balance at 1 April	3,338	3,251
Grant-in-aid applied to the purchase of fixed assets	<u>130</u>	<u>344</u>
	3,468	3,595
Released to income & expenditure account in the year:		
In respect of depreciation	(195)	(238)
In respect of indexation	<u>26</u>	<u>(19)</u>
Balance carried forward at 31 March	<u>3,299</u>	<u>3,338</u>

Income and Expenditure Reserve	18	Notes	2004/05 £000	2003/04 £000
			(4,102)	(3,847)
			(2,473)	(106)
			43	(149)
			(6,532)	(4,102)
			(4,791)	(2,441)
		6	(1,741)	(1,661)
			(6,532)	(4,102)
Reconciliation of movement in funds	19		2004/05 £000	2003/04 £000
			(760)	(592)
			(2,473)	(106)
			43	(149)
			(39)	87
			(3,229)	(760)
Other Financial Commitments	20	The Agency had the following annual commitments at 31 March in respect of non-cancellable operating leases:		
			2004/05 £000	2003/04 £000
		Operating leases land and buildings:		
			81	641
			778	264
			598	576
			1,457	1,481
		Operating leases office equipment:		
			7	4
			10	22
			1	0
			18	26
		PFI contract for information technology service:		
			4,468	4,487

This PFI contract commenced December 1997, originally for 7 years, for the provision of the Agency's computer facilities and services. The contract has since been renewed and now expires in December 2007. £4,598,949 was spent in 2004/05, which included upgrades and provision for additional staff (£4,148,820 2003/04). Additional one off service costs for 2004/05 amounted to £650,148 (£nil, 2003/04). No capital expenditure was incurred (nil 2003/04). The total contract value as at 31 March 2005 to December 2007

was £12,287,138 (£6,169,335 2003/04). Following contract negotiations, as of March 2005, the 2004/05 charge will amount to £4,468,050 and will include the cost of upgrades and provisions for additional staff.

Committed grant expenditure as at 31 March 2005 was £26,283,841. This relates to grants that have been formally accepted, but for which work has not yet begun.

Contingent Liabilities

- 21 Arrangements for determining access mapping appeals allow the parties in those cases decided by hearing or public inquiry to claim costs against one another. Cost claims are determined by the Planning Inspectorate, on behalf of the Secretary of State. Cost decisions, which are typically issued some weeks or, in some cases, months, after the appeal decisions to which they refer, may either dismiss the claim or award full or partial costs; in the latter two cases, it is for the parties concerned to negotiate and agree the sums to be paid. As at 31 March 2005, there were 62 cost decisions or settlements outstanding which related to claims made by appellants against the Agency in respect of appeals determined during 2004/05. The Agency's liability in those cases is estimated at £177,500.

Post Balance Sheet Events

- 22 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.

This will reduce the amount of work carried out by the Countryside Agency in future periods and therefore the Grant-in-aid allocated by Defra as funding. In 2005/06 £69,938,000 of Grant-in-aid has been budgeted for against £92,499,000 in 2004/05.

In total £3,278,000 of accruals and £942,000 of prepayments made at the year-end will be reversed and credited to accumulated reserves as at 1 April 2005. This will reduce the accumulated deficit on reserves by £2,336,000 to £821,000. The cash liability will not be met from Countryside Agency draw down. An element of the deficit incurred in the year arose as this accrued expenditure could not therefore be included in the Grant-in-aid accrued.

Financial Instruments

- 23 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.

Losses and Special Payments

24 Losses Statement

In the year 21 cases of losses and special payments arose totalling £51,702 made up as follows:

	£000
Claims abandoned	16
Stores losses	27
Fruitless payments	7
Gifts	1
Special payments	1
Total	<u>52</u>

Intra-Governmental Balances 25

	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	-	206	-
Total at 31 March 2005	8,292	433	257	-

	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	7,559	-	2	-
Balances with local authorities	-	-	173	-
Balances with public corporations	67	-	-	-
Total at 31 March 2004	7,626	-	175	-

The Countryside Agency had no outstanding balances due to or from NHS Trusts at the end of 2004/05 or 2003/04. No outstanding balances were due to or from Public Corporations at the end of 2004/05.

Related party transactions

26 (i) 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 shares 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. Most of these transactions have been with Regional Development Agencies.

(ii) 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:

- The Association for National Park Authorities, £52,816 on grants and £4,739 on administrative costs, of which Anthony Hams OBE is Chair.
- The British Horse Society, £4,000 on grants, of which John Varley is an ordinary member.
- Clinton Devon Estates, £346 on administrative costs, of which John Varley is a Director.

- The Council for National Parks, £80,857 on grants and £1,645 on administrative costs, of which Kate Ashbrook is a Director and Frances Rowe is a member.
- Derbyshire County Council, £347,673 on grants, of which Sir Martin Doughty is a member.
- English Heritage, £32,052 on research, of which Frances Rowe is a member. At the year end there was a creditor balance of £10,310. Grant income of £1,500 was received in the year.
- English Nature, £3,000 on research and £6,166 on administrative costs, of which Sir Martin Doughty is Chair, and Professor Philip Lowe is a member of their Socio-Economic Advisory Panel. Grant income of £29,036 was received in the year of which £15,400 was outstanding as at the year end.
- The Forestry Commission, £51,148 on grants and £77,840 on research, of which Anthony Hams OBE is a member of their Advisory Panel. Grant income of £217,267 was received in the year of which £145,894 was outstanding at the year end.
- Hope Valley and High Peak Transport Partnership, £119,113 in grants, of which Sir Martin Doughty is a member.
- The Institute of Public Rights of Way Officers, £325 on administrative costs, of which Kate Ashbrook is a Member.
- The National Trust, £82,370 on grants and £5,500 on research, of which Brian Wilson, Sir Martin Doughty and Frances Rowe are members and Richard Wakeford is a lifetime member.
- National Centre for Social Research, £3,561 on research, of which Norman Glass CB is Chief Executive.
- The National Farmers' Union, £346 on research, of which John Varley is an ordinary member.
- Norfolk Rural Community Council, £210,115 on grants, of which the Rt Rev Graham James is Vice President and Trustee.
- One NorthEast, £7,833 on grants, of which Frances Rowe is Rural and Environment Manager. Grant income of £58,177 was received in the year of which £1,531 was outstanding at the year end.
- Peak District National Park Authority, £204,091 on grants, £57,060 on research and £3,489 on administrative costs, of which Anthony Hams OBE is Chair and Sir Martin Doughty is a member. At the year end there is a creditor balance of £15,785 related to grants. Grant income of £8,460 was received in the year.
- QMW Public Policy Seminars, £1,229 on seminars, of which Pam Warhurst is an unpaid member of the Advisory Board.
- The Ramblers' Association, £90 on administrative costs, of which Kate Ashbrook is a member of the Executive Committee.
- The RSPB, £80,414 on grants, of which Brian Wilson, Sir Martin Doughty, Frances Rowe, and John Varley are members.
- Shropshire County Council, £627,606, £584,917 on grants and £42,689 on research, of which Alison McLean is Regeneration Zone Director.
- The Tomorrow Project, £10,000 on research, of which Tayo Adebawale's brother is Patron.

- University of Newcastle Upon Tyne, £10,000 on grants, £2,719 on research and £197 on administrative costs, of which Professor Philip Lowe OBE is Professor of Rural Economy.
- Wildlife and Countryside Link, £11,500 on grants, of which Kate Ashbrook is a member.

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