

Natural England Annual Report and Accounts

1 April 2012 to 31 March 2013

www.naturalengland.org.uk



Natural England

Annual Report and Accounts

1 April 2012 to 31 March 2013

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Foreword

Over the last two years we have focused on frontline delivery and in the process streamlined our business. We are proud of the solid progress that has been made across the board and are grateful for the dedication and determination of our staff and the thousands of local partners, businesses and communities with whom we work.

To support Defra's priorities of improving the natural environment while supporting sustainable economic growth, we have focused on improving the service we offer our customers and making it easier for people and businesses to do the right thing for the natural environment. We have improved our consenting and statutory advice, and streamlined our licensing systems to reduce costs and reward good compliance. We are working more collaboratively and engaging earlier with the development sector. After a successful trial, we have also launched a pre-application advice service for developers.

These changes have helped us ensure that our premier wildlife sites continue on an upward trajectory. There are more farmers and more land in agri-environment schemes than ever before, and schemes are delivering more for the environment and for farm businesses. Significant steps are being taken on the journey to create a coherent network of marine protected areas.

We have also taken big strides to deliver on the rich promise of the Natural Environment White Paper. The 12 Nature Improvement Areas are starting to make a difference in all four corners of the country, both for wildlife and for local people and Local Nature Partnerships are starting to shape their local patch, and the My Environment web portal is up and running, bringing local wildlife information to people at the click of a mouse.

Our customers and partners tell us that they have appreciated the changes we have made and we are determined to continue to improve the way we go about our business. We would like to thank all those who have worked with us over the last 12 months and look forward to ever-closer collaboration to deliver the Government's priorities for the natural environment.



Poul Christensen
Chair,
Natural England

David Webster
Chief Executive,
Natural England

Introduction

Natural England was created to work with partners, businesses and local people to conserve and enhance the natural environment and to ensure that the whole range of goods and services the environment provides benefit people and businesses now, and in the future.

This document sets out the progress we have made in 2012/13, working alongside thousands of land owners and local partners to improve the natural environment, to facilitate high quality development that enriches people's lives, to share our evidence and expertise, and to stimulate growth and innovation in the countryside.

Our contribution towards delivering the Government's priorities can be divided into four complementary strategic outcomes:

- A healthy, well functioning natural environment.
- People are inspired to value and conserve the natural environment.
- Sustainable use of the natural environment.
- A secure environmental future.

Our Corporate Plan 2012 to 2015 set out the 25 key performance indicators that we need to deliver to achieve our outcomes. The Annual Report and Accounts describes our performance against those indicators.

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

Outcome 1

A healthy, well-functioning natural environment

Our contribution

Natural England works with partners to deliver a healthy, well-functioning natural environment that underpins economic prosperity and social wellbeing.

The economic benefits of the natural environment are highlighted by the UK National Ecosystem Assessment and international research such as 'The Economics of Ecosystems and Biodiversity' study. People enjoy the natural environment for its intrinsic beauty and leisure opportunities, and rely on it for a host of everyday services that are central to their lives. Healthy soils absorb and store harmful greenhouse gases and filter our water supply, naturally and cheaply. Lakes, rivers and wetlands have the capacity to reduce flooding and provide habitat for internationally important bird populations. Even the food we eat is dependent on the health of the pollinating species which inhabit our countryside.

Government's priority is to ensure that our distinctive landscapes and the wildlife they support are robust and resilient. Coherent ecological networks are needed on land and at sea in order to adapt to, and accommodate, current changes and future pressures such as food security, development and climate change.

Highlights for 2012/13

- 1** At the end of 2012/13 we had published 46 of the 159 National Character Area (NCA) profiles. Each profile includes a description of the valuable ecosystem services provided in each character area and how these benefit people, wildlife and the economy. They identify opportunities for positive environmental change and innovation in the local economy.
- 2** We are leading partnerships in England's 12 Nature Improvement Areas (NIAs) established in March 2012 to improve the quality of the natural environment across 500,000 hectares of land in England. Each NIA partnership acts as an umbrella for a diverse range of locally-led projects which together have received £7.5 million of core funding from Defra and Natural England. The NIAs have also attracted over £40 million of additional funding from other sources. NIAs are forging productive links with Local Enterprise Partnerships and in their first year volunteers gave 2,700 days of their time.
- 3** We have brought an additional 41,851 hectares of priority habitat into favourable or recovering condition under Higher Level Stewardship (HLS), exceeding our annual target of 40,000 hectares. This is in addition to the baseline of 650,000 hectares we have maintained in favourable or recovering condition through existing Sites of Special Scientific Interest (SSSI) and HLS measures.
- 4** In July 2012 we, in partnership with the Joint Nature Conservation Committee (JNCC), presented to Defra the formal Advice Package on 127 recommended Marine Conservation Zones (MCZs). Defra have included 25 inshore sites in the first tranche of sites that will be considered for designation in 2013.
- 5** During 2012 it was confirmed that a joint Natural England and Environment Agency project had been approved for £1.4 million match funding from the European Commission's LIFE+ Nature grant programme. The Improvement Programme for England's Natura 2000 Sites (IPENS) will target all existing marine and terrestrial Natura sites with a focus on improving unfavourable sites.

Outcome 2

People are inspired to value and conserve the natural environment

Our contribution

The natural environment gives people a sense of place, pride and identity. It offers opportunities for recreation and enjoyment, which provide a wide range of economic, health and social benefits. The benefits are underlined by the Natural Environment White Paper which recognises that:

- Connection with the natural environment makes people happier and healthier
- People using the natural environment make a major contribution to local economies.

We help people engage with nature on the 143 National Nature Reserves (NNRs) we manage ourselves, through educational farm visits and in partnership with schools.

We engage and support others to help us shape and deliver our work. We have 3,000 registered volunteers providing over 33,500 volunteer days on our National Nature Reserves and offices.

And we are responsible for much of the access infrastructure – the long-distance footpath around the length of the English coast, the 13 National Trails and open access to England's mountains, moors, heaths and downs.

The beauty of the English countryside, with its National Parks, NNRs and world class network of National Trails, attracts millions of visitors every year, who sustain profitable tourism and recreation industries.

Highlights for 2012/13

- 1** A new deal for National Trails will result in effective management arrangements, support equitable and transparent funding for the family of National Trails, strengthen the role of users and local stakeholders, and provide an updated framework for how we monitor the quality standards for these economically important national assets.
- 2** We have delivered economic and community benefits in 2012/13 by awarding nine Paths for Communities grants worth £448,000 to improve the Public Rights of Way network in England.
- 3** At the start of 2012/13 we began a four year implementation programme to assess the potential for the National Nature Reserves (NNRs) we own or hold on a lease of 90+ years to be dedicated to allow permanent public access. The first batch of dedication proposals was approved in February 2013.
- 4** We have worked to improve the visitor economy and visitor experience by improving visitor information, updating website information for 123 NNRs and invested in interpretation for visitors at 26 NNRs. We have delivered over 1,900 events this year, attracting more than 125,000 participants, often to remote rural areas.
- 5** Working with partners we have started to secure a green legacy, and associated benefits to tourism and the business environment, for the London 2012 Olympics. We worked closely with the Olympic Delivery Authority to create 45 hectares of habitat in the Queen Elizabeth Olympic Park. With local partners we helped create 250 hectares of new green infrastructure at Lorton Valley Nature Park and Portland Quarries Nature Park in Weymouth and opened the first stretch of the new national Coast Path around Weymouth Bay in Dorset.

Outcome 3

Sustainable use of the natural environment

Our contribution

Natural England is a statutory consultee in the planning system, providing advice and offering solutions on over 23,000 planning cases annually, to ensure the developments and infrastructure the country needs are sustainable.

We help people work with wildlife legislation, and in our role as the licensing authority for protected sites and species, we have made significant changes this year to speed up and simplify our licensing services.

We deliver the Government's flagship green farming scheme – Environmental Stewardship, which is part of the government's Rural Development Programme for England (RDPE) – improving environmental management and providing support to farm businesses on around 66 per cent of all agricultural land.

We work in close partnership with over 26,000 private land owners who own and manage England's 4,100 Sites of Special Scientific Interest.

Highlights for 2012/13

- 1** We have invested over £165 million a year in the rural economy through Higher Level Stewardship (HLS). We reached the milestone of 10,000 HLS agreements in December 2012 and they now cover a record total of more than 977,000 hectares of England supporting farm businesses and a healthy and wildlife-rich environment.
- 2** A further milestone was reached in 2012/13 which saw a record 6.5 million hectares of England's farmland – representing over 70 per cent of the country's available farmland – covered by agri-environment schemes, delivering benefits for wildlife and supporting farm businesses.
- 3** The Uplands Entry Level Stewardship scheme underpins 6,500 farm businesses covering almost a million hectares of the most climatically and environmentally challenging parts of the country, putting £79.6 million into the upland economy, supporting high quality food production and maintaining some of England's most iconic landscapes.
- 4** We provided advice to Local Government and other statutory partners on 208 Core Strategies/new Local Plans, 36 Minerals and Waste Strategies, and 58 Neighbourhood Plans to enable growth and improve the natural environment.
- 5** We introduced new class licences for bats and great crested newts as part of our ongoing commitment to simplify and improve the regulatory system. The new licences will mean that applicants only need to register once.
- 6** We are facilitating sustainable growth and environmental improvement through Local Enterprise Partnerships (LEPs) and City Deals made by developing a joint offer with Defra Network partners (the Environment Agency, Forestry Commission and the Marine Management Organisation).
- 7** In July 2012 we launched a new chargeable Discretionary Advice Service (DAS), initially on a limited basis, to developers and consultants. The service gives customers early advice on the environmental impacts of their development, saving time and money, as well as ensuring the environment is fully accounted for in their proposals. Having secured significant interest from customers the service was rolled out across the country in April 2013.
- 8** We provided advice to planning authorities and developers on 432,209 hectares of Sites of Special Scientific Interest and 48 European Marine Sites totaling 1,250,865 hectares to find solutions that enable sustainable development.

Outcome 4

A secure environmental future

Our contribution

Natural England is the statutory adviser to government on the natural environment. As an evidence-based organisation we have experts across the environmental sciences, as well as in economics, social science and regulation. Our role in advising on land use and management and in managing National Nature Reserves gives us both a strong scientific base and practical land management expertise. As a result, our advice at all levels – from local community to partners and government – is firmly rooted in evidence and experience.

Our use of the ecosystems approach and our understanding of climate change impacts mean that our advice today secures the natural environment for tomorrow. Incorporating social and economic evidence into our decision making helps us to improve the environment and contribute to sustainable economic growth.

Highlights for 2012/13

- 1 We exceeded our target to ensure that the evidence from 60 per cent of our evidence projects was directly available online.
- 2 Use of our online evidence resources continues to increase; over the year 557,130 documents have been downloaded.
- 3 We have developed an online portal, 'My Environment', to help people find all the information they need in one place to make it easier to explore, understand, enjoy, and protect the natural environment in England.
- 4 We aim to improve conservation, provide a better service to developers, reduce costs, and provide clarity and certainty for investors through our new project to improve the evidence base for Great Crested Newt populations.
- 5 We undertook a peer-reviewed Uplands Evidence Review working with upland landowners, businesses, scientists and conservation organisations to collect and review the impact of land management activities on biodiversity and ecosystem services in the uplands. The first stage outputs of the review programme were published in May 2013.

Excellent Public Body

Why we are doing it

Our approach to delivering our four Outcomes is underpinned by our determination to be an Excellent Public Body, equipping our people with the right culture, skills and professionalism to deliver a high quality service to our customers.

Highlights for 2012/13

- 1** We have successfully delivered the required efficiency savings of £8 million (£26 million cumulative) for 2012/13, as set out within our commitment to the 2010 Spending Review and in line with our revised Grant in Aid allocation. Our balanced Corporate Plan issued in March 2012 has enabled us to achieve these efficiencies whilst also delivering on our environmental commitments and delivery priorities.
- 2** We continue to improve the service we offer our customers. Over 60 per cent of our staff, serving over 179,000 customers, now work in teams that have achieved the Cabinet Office Customer Service Excellence standard.
- 3** We now have a number of channels through which we gather customer feedback. Our end of year live customer point of service feedback data shows that 91 per cent of our customers are satisfied or very satisfied with our performance. The public sector benchmark for similar organisations is 83 per cent. Our customer survey showed that 84 per cent of all land management customers are satisfied with the quality of the service they receive from us. Significantly, 74 per cent of land use customers are satisfied, an increase from 57 per cent in 2012, and 68 per cent of regulation customers are now satisfied, compared to 55 per cent in 2012.
- 4** Confidence in our evidence is greatly improved with 83 per cent (an increase of 7 per cent from 2012) of partners stating that Natural England bases its advice on evidence; 79 per cent that we use “the best available evidence” for advice; and 76 per cent that we are “fair and objective” in our use of evidence.
- 5** We continue to deliver government priorities in an environmentally sustainable way and we are very mindful to exhibit exemplary environmental behaviours at all times. For example we have reduced our carbon by 50 per cent since 2007 and now recycle/reuse over 73 per cent of our waste. We have also reduced our water consumption by 37 per cent on our 2009/10 baseline.

Progress towards our Key Performance Indicators

Natural England is committed to continually improving its performance through setting and agreeing challenging targets which are aligned to our Outcomes.

Our commitment expressed in the 2012 to 2015 Corporate Plan highlighted the 25 Key Performance Indicators (KPIs) that we would report on, both to our Board and Defra, on a quarterly basis. We publish these quarterly reports on our website and report high level progress through eight impact indicators and against our main objectives to the Secretary of State and Defra's Supervisory Board. The indicators span each of our four Outcomes, plus Excellent Public Body and the subsequent extracts record our delivery against the 2012/13 targets.

We use tight tolerances for measuring our performance against all of our indicators, which are reflected in the following table.

	Green	100 per cent or over of the expected performance
	Amber Green	Between 99.99 and 90.01 per cent of expected performance
	Amber Red	Between 90.00 and 80.01 per cent of expected performance
	Red	80.00 per cent or less of expected performance



Our 2012/13 Performance

Our performance across the 25 KPIs in our Corporate Plan shows that one was assessed as 'Red'; one was 'Amber Red'; eight were 'Amber Green'; and fifteen were 'Green'. Therefore, 92 per cent of the KPIs in our Corporate Plan are either 'Green' or 'Amber Green' at year-end.

Outcome 1: A healthy, well-functioning natural environment

We facilitate and report on partner contributions to Biodiversity 2020 delivery plan to achieve habitats, protected sites, species and ecosystems outcomes.

Measure: Progress on track with delivery plan detailing partner contributions, reporting, risk & issue management and monitoring.

**2012/13
Performance**

Green

We have successfully delivered our planned facilitation of the Terrestrial Biodiversity Group (TBG) by: improving joint working with the Environment Agency and Forestry Commission leading to improved spatial targeting and confirmation of future delivery commitments; led and delivered the first phase of the Biodiversity Action Reporting System including uploading Higher Level Stewardship data to support synergies with partners' local delivery; developed and led a series of task and finish groups including work to improve local delivery that has been widely promoted.

There remains an on-going challenge to secure partners' contributions to the biodiversity outcomes, especially from within the Non-Government Organisation (NGO) sector. However, our work has ensured TBG's contribution to the Government's Delivery Plan was successfully delivered as regularly reported to Defra's Programme Board.

Constructive engagement with conservation NGOs and other partners throughout the year is reflected in clear improvements to our partner survey results and provides a good foundation for the year ahead.

*Our contribution to Biodiversity 2020 priority habitat maintenance, restoration and creation outcomes.
(Top 8 KPI reported to Defra Supervisory Board)*

Measures:

- 1) 690,000 hectares of habitat maintained/restored into favourable or recovering condition. (Baseline 650,000 hectares).
- 2) 12,000 hectares of additional priority habitat created.

**2012/13
Performance**

Green

We have successfully delivered both the priority habitat condition and creation elements of this Key Performance Indicator.

We have brought an additional 41,851 hectares of priority habitat into favourable or recovering condition under Higher Level Stewardship (HLS), exceeding our annual target of 40,000 hectares. This is in addition to the baseline of 650,000 hectares we have maintained in favourable or recovering condition through existing Sites of Special Scientific Interest (SSSI) and HLS measures.

We have also secured the creation of 22,927 hectares of new priority habitat this financial year, exceeding our annual target of 12,000 hectares. This is comprised of 20,412 hectares delivered through new HLS agreements and 2,131 hectares through Green Infrastructure projects.

*Our contribution to Biodiversity 2020 species outcomes.
(Top 8 KPI reported to Defra Supervisory Board)*

Measure: Our interventions delivered through the Species Recovery programme as part of a wider species delivery plan, agreed through the Terrestrial Biodiversity Group.

**2012/13
Performance**

Green

Facilitating partner engagement in the Biodiversity 2020 species delivery plan: We presented a paper on the proposals for the species implementation plan, which is based around delivery mechanisms, to the Terrestrial Biodiversity Group in March. The paper was well received and generated good commitment from members to help deliver it. As a result, we are now planning a workshop with species experts and key Non-Government Organisations to develop a greater level of buy-in and commitment to the delivery of the individual actions required to help bring about the favourable conservation status of Section 41 species.

Natural England's direct contribution to species conservation through our Species Recovery Programme and habitat – based interventions: We are now receiving final reports on the work we have undertaken in 2012/13 on Species Recovery Programme funded projects. Two Species Recovery Programme funded invertebrate projects offered exciting news: the 2012/13 report on the Fen Raft spider project stated that the two new reintroduced populations on lower Waveney are doing well whilst the Bug Life's oil beetle conservation project rediscovered the Mediterranean oil beetle which was last seen in Britain in 1906.

During 2012/13 the farmland butterfly initiative, which is a partnership between Butterfly Conservation and Natural England influenced 28 new Higher Level Stewardship agreements and helped deliver conservation outcomes for Duke of Burgundy, Marsh Fritillary, High Brown Fritillary, Pearl-bordered Fritillary, Small Pearl-bordered Fritillary and Lulworth Skipper.

We have been working with the New Environmental Land Management Scheme design process to ensure that the habitat approach to species conservation is fully integrated into the scheme design. We are now undertaking further analysis of the detailed content of the list of nearly 40 partnership projects which would make up the 2013/14 Species Recovery Programme before making a final commitment as to which projects would be taken forward with funding, once the Scheme receives a formal go-ahead.

Invasive non-native species control programmes: The Chalara Management Plan has now been released and reflects our advice on the need to develop ecological resilience in our woodlands. The Phytophthora austrocedrae Outbreak Management Team, which we chair, has now completed an advice note on the management and planting of Juniper which FERA (Food and Environment Research Agency) will be publishing very soon. Juniper is an important Section 41 species impacted by this disease.

We increase the Sites of Special Scientific Interest (SSSI) area in favourable condition whilst maintaining the area in favourable or recovering above 95 per cent.

Measure: 37.6 per cent of SSSI series in favourable condition (Baseline 37 per cent).

**2012/13
Performance**

Amber Green

At year-end, 37.55 per cent of the area of Sites of Special Scientific Interest (SSSI) were in favourable condition which is 0.05 per cent less than the end of year milestone of 37.6 per cent. This equates to a net gain in 2012/13 of 3,488 hectares (a gross gain of 9,318 hectares against a gross slippage of 5,984 hectares) compared with a target of 3,896 hectares.

Note : Subtracting the gross slippage figure from the gross gain figure does not give the final reported net gain because of the impact of SSSI notifications and de-notifications during the year on the areas in each condition category. The figures simply illustrate the in-year movements of condition.

At year-end, 96.11 per cent of SSSI area was in target condition (favourable and unfavourable recovering condition). Whilst meeting the 'greater than 95 per cent' metric, this represents a decrease against the 96.64 per cent April baseline, i.e. a net slippage of 5,377 hectares (a gross gain of 3,565 hectares against a gross slippage of 8,993 hectares). The difference between the sum of the gross figures and the final net figure is again due to notifications and de-notifications during the year.

Assessments have shown that some sites have responded to management sooner than we originally predicted, whilst others have not. The net 'slippage' from favourable and unfavourable recovering condition this year is due to assessments confirming that on some sites the required management measures are not in place to support condition, whilst for some large sites migratory bird numbers have not met the required condition thresholds.

The 2013/14 terrestrial SSSI metric is to maintain 37 per cent area in favourable condition. This 'holding the line' approach has been agreed to reflect the fact that we will not be taking forward as many site condition assessments, in response to our need to redirect staff resources to a) ensure delivery of agreements under the last year of the current Rural Development Programme England scheme; and b) the need to progress underpinning site objective setting work.

We implement regulatory and enforcement measures for wildlife and habitat protection and management while contributing to sustainable development.

**2012/13
Performance**

Green

Measure: 85 per cent of Regulatory casework meets published standards.

Performance against the principal metric of meeting customer service levels on wildlife licensing has remained significantly above the target level through the year, with the position at the end of March 2013 standing at 95 per cent. This is despite marked increases in licence application volumes especially for badgers, bat and newt licensing (up by 17 per cent in these categories).

This headline picture does mask some pressures, notably on complex development casework in relation to great crested newts which remain a high reputational risk and which we have made the focus of planned improvements such as the pilot of annexed licences.

A new bat advice contract has been put in place with the Bat Conservation Trust with effect from Quarter Four co-ordinating free advice to householders through volunteers and which is attracting positive feedback.

Areas of licensing which carry a high degree of sensitivity, linked to their socio economic impacts, continue to require close management including the impact of newt licensing on development, bats in churches and raptor licensing.

Our National Nature Reserves are managed as exemplar nature conservation sites so that we increase the percentage in favourable condition and their contribution to restoring wider ecosystems.

Measure: Task based actions as set out in project plan are on track.

**2012/13
Performance**

Green

We end the year with 517 hectares in favourable condition against our target of 303 hectares. We have supplemented our planned delivery by delivering improved condition on a number of other units and overall the target condition remains above 97 per cent even though we experienced a net loss of 85 hectares over the year.

Our contribution to “Restoring Wider Ecosystems” through the engagement with six Nature Improvement Areas (NIAs) is going well in five of the partnerships. Engagement with the sixth has been at a reasonable level and it has now been confirmed that we will not play a significant future role in this NIA.

We have completed 30 of the 45 management plans for Natural England’s National Nature Reserves that we planned to deliver this year. However, most of the outstanding are due for completion in Quarter One 2013/14. Revised deadlines have been agreed for each and we are monitoring these very closely.

The ‘Green’ performance ratings reflect the significant weighting in this target on the favourable and target condition measures.

We manage badger control applications in line with Secretary of State’s guidance.

Measure: 100 per cent of applications managed within agreed deadlines.

**2012/13
Performance**

Green

We issued the West Somerset and West Gloucestershire final authorisation letters on 27 February 2013 which was announced by the Secretary of State at the National Farmers Union Conference in Birmingham.

The Minister also announced a reserve pilot area in Dorset. We have issued application forms and guidance to Dorset area farmers and have supplied land registry with mapping information for the reserve area. A revised methodology for setting minimum and maximum numbers to apply for a licence has been agreed by Ministers and badger population estimates have been confirmed.

We deliver timely advice to enable Government and regulators to establish a well managed Marine Protected Area network covering in excess of 25 per cent of English territorial waters by the end of 2016. (Top 8 KPI reported to Defra Supervisory Board)

**2012/13
Performance**

Green

Measures:

- 1) 127 Marine Coastal Zones advised on designation.
- 2) One European Marine Site advised on designation.
- 3) Eleven Marine Protected Areas where conservation advice provided.

Marine Conservation Zone (MCZ) Designation Advice: We have achieved our targets for 2012/13, delivering advice to Defra on schedule to support their designation decisions. We will be providing updated advice on the 25 inshore MCZs that are proposed for designation in 2013.

European Marine Sites Designation Advice: We have met all targets for 2012/13, providing advice to enable Defra to submit the candidate Special Area of Conservation for Studland to Portland to the European Commission, and progressing work on two fast-track sites. We are working closely with the Joint Nature Conservation Committee to ensure timely advice on the Special Protection Areas programme.

Marine Protected Area (MPA)s Conservation Advice: The publication of conservation advice for all eleven sites has been completed, including positive reviews from the Independent External Review of two sample sites. As a result, we now have statutory conservation advice for all MPAs. Our focus is now on implementing Measure 14 from the Review of the Implementation of the Habitats and Wild Birds Directive, to improve the quality, clarity and accessibility of our advice for customers.

We contribute to the delivery of Biodiversity 2020, the European Landscape Convention and the UK Geodiversity Action Plan by investing in large scale integrated project partnerships in priority areas (including Nature Improvement Areas) using the National Character Area framework.

Measures:

- 1) 90 per cent of Nature Improvement Areas and landscape-scale partnerships delivering against business plans or Memoranda of Agreement objectives.
- 2) 80 National Character Area profiles published on internet.

**2012/13
Performance**

Amber Red

We have been signalling since the Quarter Two Chief Executive Performance Report that the outturn for this Key Performance Indicator was likely to be 'Amber Red'. At year-end, 90 per cent of our 36 landscape-scale partnership projects had progressed as planned. This includes 12 Nature Improvement Areas (NIAs) and eight "near-miss" NIAs which have all met their end of year targets.

This year, we published 46 National Character Area (NCA) profiles, seven are in production and a further 21 are at advanced draft stage. The slippage against our annual target of 80 NCA profiles has been accounted for in the 2013/14 NCA delivery programme by reallocating staff resources internally to ensure all profiles have an author allocated and additional Quality Assurance and proof-reading support is given to complete the programme by March 2014.

Whilst we are continuing to see tangible benefits to other programmes from our work on NCA profiles, our year-end performance remains 'Amber Red'.

Outcome 2: People are inspired to value and conserve the natural environment

We work with others to engage and enable local communities to enjoy, understand and improve the natural environment.

Measures:

Work with partners and communities to identify and share best practice, advice and evidence to enable enjoyment of and to facilitate support and action for the natural environment.

- 1) 100 per cent of Projects Assessed for community engagement.
- 2) On track to produce and implement community engagement plans.

**2012/13
Performance**

Amber Green

We continue to work with key partners including Farming and Countryside Education to identify more opportunities for local communities to enjoy, understand and improve the natural environment. This includes working with Local Authorities to develop spatial plans and strategies and developing localism approaches to Local Nature Partnerships and Local Enterprise Partnerships.

Working with partners and communities, we have developed a Community Natural Environment Toolkit to provide guidance and advice to facilitate action for the natural environment, and we have embedded this within the new My Environment web portal we report on under Outcome Four.

The end of year 'Amber Green' status reflects that our roll-out of community engagement plans has been slower than anticipated. During Quarter Four we revisited our approach, developing and delivering some internal training to enhance our engagement with local communities on commons issues. This approach was successful and wider training on engagement will be rolled out further in the coming months.

Our management of National Nature Reserves is exemplary in integrating public engagement and access, and delivering good customer satisfaction.

Measures: Progress with delivery plan on track for dedication and implementation of public engagement standards.

**2012/13
Performance**

Green

We have now finalised our National Nature Reserve (NNR) public engagement standards and adopted them at 39 NNRs with a further five due in Quarter One of 2013/14. We have also produced a programme for adopting public engagement standards across all remaining NNRs and establishing a tighter 'quality assurance' and 'audit' process. We have updated website information for 123 NNRs and completed investments in interpretation for visitors at 26 NNRs. We have delivered over 1,900 events this year, attracting more than 125,000 participants.

Following sign-off of the dedication proposals for the six sites in batch one by the Chief Executive, we will present the batch two proposals on 13 sites to the Chief Executive during Quarter One of 2013/14. In both cases we will revisit the scope for the higher rights improvements for horse riders and cyclists (normally on existing tracks) on each reserve in accordance with a new more rigorous procedure for higher rights evaluation.

*We work locally with stakeholders, partners and community groups to deliver improvements to and economic benefits from Access infrastructure.
(Top 8 KPI reported to Defra Supervisory Board)*

**2012/13
Performance**

Amber Green

Measures:

- 1) Delivery of £500,000 of Paths for Communities Grants.
- 2) Delivery of Access to Nature Grants worth £7m.
- 3) 70 per cent of Local Access Forums with annual reports for public display.
- 4) 85 per cent of Local Access Forums represented on the electronic forum.

We have approved nine Paths for Communities Grants worth £448,000 and further projects are currently being worked up. Our 'Amber Green' year-end performance status reflects that we are slightly behind profile with the £500,000 Paths for Communities metric. It took longer than we originally anticipated to generate the first applications as local community volunteers needed more time to agree proposed projects with the various stakeholders. However, this is year one of a two year project and with 29 projects (with a value of £1.7 million) already scheduled to apply before the end of June 2013 we now anticipate the full £2 million being approved by the end of Quarter Two of 2013/14.

We have delivered £7 million of Access to Nature Grants in line with our year-end target.

We have received 79 per cent of the annual reports from Local Access Forums (LAFs) under the new reporting system and we held a successful LAF conference in February.

Locally we continue to work with LAFs to provide advice, updates and guidance on: the use of Huddle; Paths for Communities; National Nature Reserve declarations; Coastal Access; Local Nature Partnerships; the Monitor of Engagement with the Natural Environment survey; permissive access; and common land. 96 per cent of LAFs are represented on the Huddle Electronic Forum against a target of 85 per cent.

We work locally with stakeholders and local access authority partners to deliver coastal access rights.

Measure: Delivery of 550km of coastal access route (cumulative km of route initiated since 2010).

**2012/13
Performance**

Green

The completed section at Weymouth (32km) and the implementation of ten further stretches now total 625km.

On the lead stretches we have submitted final reports to the Secretary of State for Durham (55km) and Cumbria (35km). For stretches in Kent (61km) and Norfolk (41km) we are finalising the reports for submission to the Secretary of State in June 2013. We are finalising the proposals for Somerset (90km) to be published in summer 2013.

On the second stretches, we are in the early stages of developing our proposals for further stretches in Cumbria (55km), Dorset (53km), Kent (48km), Norfolk (31km) and Yorkshire (124km).

We have also completed our review of the Coastal Access Scheme within the statutory deadline and will submit the revised version for approval by the Secretary of State this summer.

Outcome 3: Sustainable use of the natural environment

We ensure, through our advisory and regulatory roles, on land and at sea, that we help protect and enhance the natural environment so enabling sustainable development. (Top 8 KPI reported to Defra Supervisory Board)

Measures:

- 1) 95 per cent of consultations dealt with according to statutory and agreed deadlines.
- 2) Our data describes the positive impact on the environment, including hectares of SSSI, European Marine Sites protected and effects on European Protected Species status.
- 3) Track the percentage of consultations where a licence is granted or no objections raised.
- 4) Track the percentage of consultations where no objection sustained.

**2012/13
Performance**

Green

In 2012/13 we dealt with 96.76 per cent of our 28,484 consultations in accordance with statutory or agreed deadlines.

We provided advice to planning authorities and developers on 432,209 hectares of Sites of Special Scientific Interest (SSSI) and 48 European Marine Sites totalling 1,250,865 hectares to find solutions that enable sustainable development.

This year we raised no objection in 96.6 per cent of consultations. An objection was raised for environmental reasons in 0.7 per cent of responses. A further 2.7 per cent of objections were due to insufficient information being available to provide advice.

We are working on a long-term project to develop an integrated case tracking system to provide more information on objections sustained as cases progress through statutory processes.

We secure targeted outcomes through Higher Level Stewardship (HLS).
(Top 8 KPI reported to Defra Supervisory Board)

Measure: 200,000 hectare increase of HLS contributing to targeted outcomes from 2011/12.

**2012/13
Performance**

Red

We have reported throughout 2012/13 that we were behind profile for this target and by year-end we had delivered 136,780 hectares (68.8 per cent) of our target of 200,000 hectares. However, despite a lower than expected HLS uptake by farmers, we have achieved some significant improvements in delivering Environmental Stewardship outcomes, both in terms of environmental objectives and for customers. It should be noted that this shortfall was in new HLS applications, whilst the proportion of classic agreement (Environmentally Sensitive Areas and Countryside Stewardship Scheme) land joining HLS increased in 2012/13.

Ministers were briefed earlier in the year that the level of take-up of HLS agreements was going to be below planning assumptions and accepted that as we enter a period of uncertainty through Common Agricultural Policy transition delivery may deviate from agreed targets. In the light of guidance from Defra, we did not undertake any proactive work to make up the shortfall and only to maintain our good customer service. Consequently, we have been signalling since our Quarter One Chief Executive Performance Report that we were likely to miss this target. We continue to work with Defra on arrangements for transition to the new Rural Development Programme taking into account the outcomes that are needed and the affordability of the new schemes.

We secure targeted outcomes through Entry Level Stewardship (ELS).

Measure: 5 per cent increase in the proportion of points in priority options from 2011/12 baseline of 55.2 per cent.

**2012/13
Performance**

Amber Green

2012/13 saw us make a successful shift from output targets for Environmental Stewardship (ES) towards outcome targets and we have achieved very significant improvements in ES outcomes, both for environmental objectives and for customers.

On Entry Level Stewardship, our two-year target was to achieve a five per cent increase in the proportion of high priority ELS options, aligned to the Campaign for the Farmed Environment (CFE). HLS agreements now make up the majority of new ELS points and the wider more specific environmental objectives of HLS can limit the scope for achieving the ELS priority options target. As a consequence, we have been working to increase the proportion of priority options in HLS this year.

At year-end, we had increased the proportion of priority options from 55.2 per cent in 2011 to 60.0 per cent in 2013 which is very slightly below our end of year target of 60.2 per cent. We delivered this through our ELS Training and Information Project (ETIP) advice for ELS applicants, through our direct advice for Higher Level Stewardship applicants; and through our work with the CFE.

We reduce the cost to those we regulate through the delivery of a regulatory improvement programme.

Measure: Percentage reduction in costs on those we regulate over the years.

**2012/13
Performance**

Amber Green

Our year-end performance is 'Amber Green' compared to the 'Amber Red' we reported at the end of Quarter Three. We have undertaken further validation of our model setting out standardised administrative costs for licensing customers and begun similar work for protected sites consenting which is helping to inform the Defra regulatory costs baseline review.

Working with a housing developer holding a newt licence, we produced a case study to develop thinking on how to quantify the financial impact of delays. We then developed and tested a questionnaire designed to build understanding of costs and inform scoping of improvements next steps.

We made significant progress with a major licensing process change and developed several new class and organisation licences. We will use our baseline estimate of licensing costs to track delivery against our five per cent reduction target as initiatives start rolling out in April. Our costs questionnaire was launched in May 2013.

We recognise that there is still further progress to be made and we will continue to work with Defra and those we regulate to build on the improvements made in 2012/13.

Outcome 4: A secure environmental future

We develop a comprehensive and robust evidence base in line with our evidence strategy, including our own research and major programmes to monitor the marine and terrestrial environments, whilst taking full account of relevant evidence from external sources.

Measures:

- 1) Progress with Marine Special Areas of Conservation baseline survey and monitoring.
- 2) 3,900 Integrated Site Assessments carried out and reported on.
- 3) 27 long term monitoring network sites operational by year-end.
- 4) Progress with base lining the monitoring the outcomes set out in Biodiversity 2020.
- 5) Progress with Implementation of species surveillance programmes pilots on NNRs and habitat surveillance programmes pilots in target areas, with targets met as set out in annual local surveillance plans.

**2012/13
Performance**

Amber Green

The year-end 'Amber Green' performance status reflects that we have made good progress in most areas of delivery of this diverse programme this year although resource constraints have impacted in some areas.

We have progressed well with the Marine Special Areas of Conservation statutory monitoring programme and have started the intertidal Marine Conservation Zone verification surveys. Alterations within year have been mainly caused by poor weather.

We had delivered 96 per cent of Integrated Site Assessment visits target by year-end and completed data entry for slightly less. We launched the new Integrated Site Assessment database on 25 March which will facilitate reporting, transparency & improve data access. For long term monitoring, we have established all 27 sites.

Validation of two major data sets to go into the Biodiversity Action Reporting System (BARS) for Biodiversity 2020 reporting is progressing, training of partners has been completed and we have agreed future responsibilities for the Joint Nature Conservation Committee who will manage the system in future. Over 100 new species records have been captured in our database and exported to the National Biodiversity Network.

We work closely with partners in developing, strengthening and sharing our specialist capability to maximise confidence in our use of evidence.

**2012/13
Performance**

Amber Green

Measures:

- 1) The extent to which we fully implement our skills framework; and how we share and integrate our specialist staff resource, evidence by secondments into and from Natural England.
- 2) 10 per cent increase in the number of Defra led R&D projects that our specialists help to develop and manage.

This year we have taken forward the agreed future direction for our specialist capability, finalised the proposals for our lead specialist staff, reviewed the specialist skills framework for our environmental specialists and commenced our specialist development programme. Pressures on specialist time have had an impact on our capacity to share expertise and develop capability although a small number of secondments in and out of Natural England remain in place.

Our involvement in Defra funded research projects is increasing with plans furthest progressed with the Sustainable Land and Soils programme where we are planning for a 10 per cent increase in staff input. The recent publication of the Defra review plans for major research themes and is providing the basis for future work. We are working within the evidence workstream in the Defra strategic alignment programme to develop more joint working on research and monitoring activities.

We embed the ecosystem approach and climate change response in our delivery, particularly on protected areas, Environmental Stewardship, England Biodiversity Strategy and the Natural Environment White Paper delivery.

Measures:

- 1) 85 per cent of delivery staff reach aware/basic skill level.
- 2) Number of partnership projects effectively delivering ecosystems approach and climate change actions is base lined.
- 3) Percentage of our staff and stakeholders who believe we are a leader in the practical application of ecosystems approach and responses to climate change is base lined.

**2012/13
Performance**

Green

During the final quarter of 2012/13 we delivered our planned series of training webinars to raise understanding of the ecosystem approach and climate change. These webinars were attended by 980 (ecosystem approach) and 772 (climate change) staff respectively. Feedback indicates that on average 90 per cent of delivery staff consider themselves as having aware/basic understanding following training.

We have continued to engage with external evidence work this year and have published the findings of our ecosystem approach pilot projects. We have worked closely with eight external projects, including selected Nature Improvement Areas, and have published internal guidance to support landscape scale projects adopt the ecosystem approach and take account of climate change.

Our annual partner survey shows that 61 per cent agree that we are a leader in the practical application of the ecosystem approach, whilst 47 per cent agreed in relation to climate change adaptation. These results will form the baseline for our future performance.

*We work closely with the Defra Chief Scientific Adviser and partners to deliver evidence and analysis to published quality standards that is accessible both nationally and to local communities, in order to facilitate transparent and evidence-based decision making at all levels.
(Top 8 KPI reported to Defra Supervisory Board)*

Measures:

- 1) 60 per cent of our Evidence available on line.
- 2) Establishing a baseline for the number of reports and datasets accessed or downloaded.
- 3) Developing Phase 1 of "My Environment".
- 4) Evidence base is externally peer-reviewed.

**2012/13
Performance**

Green

61.1 per cent of our increasing body of evidence is now available on-line exceeding our target of 60 per cent.

Use of our on-line evidence resources continues to increase – 73,236 documents were downloaded from our publications catalogue in March 2013 which is another record monthly total. Over the year 557,130 documents have been downloaded – which we will use as our baseline for targeting future increases.

The first version of the new 'My Environment' service is live with signposts to relevant sites and resources being added based on user suggestions.

The Uplands Evidence Review (UER) project has provided a preview of the final draft to 40 key upland organisations. We followed this preview up with a well-attended stakeholder event hosted by our Chief Scientist, where we received positive feedback on the approach we adopted. The outputs of the review programme were formally published in May 2013.

Excellent Public Body

Our people in science, delivery and management have the right skills at the expected level to do their job.

Measure: 90 per cent of our people with required skills and plans in place.

**2012/13
Performance**

Green

Our staff survey run during Quarter Four of 2012/13 revealed that 94 per cent of our people have all or most of their required skills. This exceeds our target of 90 per cent and is the product of an ongoing drive to develop the skills of our staff.

At the end of the year over 1,350 face-to-face training places were delivered (nearly double 2011/12, with the same £300,000 budget), and over 9,500 e-learning lessons were taken (compared to approximately 1,200 in 2011/12). An average of almost 50 hours was invested in skills development per employee (double the average allocation across the UK public and private sector in 2011/12 according to the Chartered Institute of Personnel and Development).

We have complemented our work this year with initiatives such as new skills frameworks, leadership programmes, and the introduction of Civil Service Learning. We will start 2013/14 with a focus on embedding existing tools and processes to consolidate this year's survey result.

We efficiently administer and manage Higher Level Stewardship (HLS).

Measure: 20 per cent reduction from baseline in delivery costs (2010/11 baseline of £1,836 per agreement).

**2012/13
Performance**

Green

We have met the efficiency target of a 20 per cent reduction in HLS unit costs on the 2010/11 baseline. The HLS unit cost (per agreement) has fallen by 38 per cent from our baseline whilst the overall Natural England costs, including IT, have fallen by 20.9 per cent from our baseline. The HLS unit cost includes application processing, managing the agreement and farm visits.

We deliver the promised efficiencies and service changes in our Spending Review 2010 settlement.

Measure: £26 million cumulative efficiency and service changes (Baseline £18 million).

**2012/13
Performance**

Green

The required efficiency savings for 2012/13 were successfully delivered through our balanced Corporate Plan issued in March 2012. We continue to manage the in-year issues affecting staff resource requirements to ensure they remain affordable.

For 2013/14 we have developed a Corporate Plan that ensures that Natural England is well placed to deliver the necessary savings next year as planned arising from the 2013/14 financial settlement.

*Our customers are satisfied with our performance.
(Top 8 KPI reported to Defra Supervisory Board)*

Measure: 85 per cent of our customers tell us that they are satisfied with the way we deliver our services.

**2012/13
Performance**

Amber Green

We have continued our drive towards customer service excellence and achieving both culture change within our organisation and improving the quality of the service we provide. This can be objectively measured, in part at least, through our progress against the Cabinet Office standard for Customer Service Excellence (CSE) and the responses we get from our “point of service” feedback and annual surveys.

Our year-end live customer point of service feedback data based on our March 2013 returns for our main customer groups was:

Percentage satisfied or very satisfied	
Environmental Stewardship:	90 per cent
Wildlife Licensing:	95 per cent
Land Use Planning:	89 per cent
Entry Level Stewardship online:	90 per cent

The weighted average performance was 91 per cent across our main customer base. The public sector benchmark for similar organisations is 83 per cent.

We have also received the results of our annual customer and partner surveys which show significant progress from last year, particularly for our Wildlife Licensing and Land Use Planning customers and partners. We are currently analysing the full results to identify insights and any themes or issues for future action.

The headline customer satisfaction survey results were:

Percentage satisfied or very satisfied	
Land Management:	Up from 82 per cent to 84 per cent
Including Entry Level Stewardship customers:	85 per cent
Higher Level Stewardship customers:	89 per cent
Wildlife Licensing	up from 55 per cent to 68 per cent
Land Use Planning:	up from 57 per cent to 74 per cent
Overall customer satisfaction with these three services	77 per cent

We also continue to make real and tangible progress on CSE accreditation and organisational culture change, we now have over 60 per cent of our people working in teams that have achieved the Cabinet Office standard, serving over 179,000 customers.

Notwithstanding these very positive achievements we recognise that there is still more that we can and need to do to improve the quality and consistency of our customer service as well as our customers and partners perception of us. We therefore feel that our overall performance for the year is 'Amber Green'. We fully recognise that the uncertainties around Common Agricultural Policy transition, the new programme, resource and budget constraints and the Triennial Review outcomes may have an impact on our customers' perceptions of us as an organisation but we remain committed to strengthening our relationships across all of our customer and partner groups.

Annual Management Report

History and statutory background

Natural England is an Executive NDPB and was established on 30 March 2006 when selective provisions of the Natural Environment and Rural Communities Act 2006 were activated under Statutory Instrument 2006 (NERC Act 2006) Number 1176 (C.40) Natural Environment England & Wales, Natural Environment Northern Ireland, Rights of Way England.

Natural England's general statutory purpose is *"to ensure that the natural environment is conserved, enhanced and managed for the benefit of present and future generations, thereby contributing to sustainable development"*.

This includes:

- promoting nature conservation and protecting biodiversity;
- conserving and enhancing the landscape;
- securing the provision and improvement of facilities for the study, understanding and enjoyment of the natural environment;
- promoting access to the countryside and open spaces and encouraging open-air recreation; and
- contributing in other ways to social and economic well-being through management of the natural environment (these may in particular be carried out by working with local communities).

Our duties and powers under this general purpose are wide ranging. For example, we may undertake research, give advice to any public authority or person, and publish information about our work.

All of our work is carried out under this and other environmental legislation (including EU and international obligations) and within the Government's policy framework.

Financial commentary

This Annual Report and Accounts cover the activity and performance of Natural England in 2012/13. Natural England is predominantly funded by Defra and therefore our funding agreement operates within the context of the Comprehensive Spending Reviews (CSR) which HM Treasury agrees with each Government Department. 2012/13 was the second financial year of the CSR 2010 settlement which covers the spending plans for the four year period 2011/12 to 2014/15. This has been a challenging year, but we are proud of our delivery record. Natural England has achieved 92% of our KPIs (23 out of 25 KPIs were measured as either green or amber/green) set out in the 2012-15 Corporate Plan, whilst at the same time delivering the efficiency savings required for the CSR 2010 period. We have substantially improved our business over the last two years, and thanks to the determination of our staff, we are more customer focused.

The Natural England settlement reflected a £44.2m reduction in core Grant in Aid (GIA) over the four years 2011-2015. Against our 2010/11 baseline this represents a 26% cut in our overall budget and a 38% cut in the portion of the budget which we directly manage (the other portion of our budget relates to recharges for services provided centrally by Defra such as Shared Services who provide financial and HR transaction processing, IT and Estates).

Natural England took the necessary steps and difficult decisions concerning our staff resource to allow us to deliver the full set of ambitions in our Corporate Plan. We will continue to reduce our staffing costs, by maintaining a flexible and skilled workforce; the use of fixed term contracts; and tight manpower controls.

Spending controls which were implemented by the Cabinet Office in May 2010 have continued to be applied throughout the year with strict controls on recruitment, use of temporary staff, use of consultants, IT projects, advertising and marketing, and property leases.

In accordance with HM Treasury's Financial Reporting Manual (FRM), the GIA due to Natural England for 2012/13 cannot be shown as income, and instead appears in the Revenue Reserve. The underlying performance for the year to 31 March 2013 was that against our core GIA forecast under our control we had a small overspend on revenue of £0.6m (0.3%) and we met our Capital forecast spend.

Available resources

Our people are our greatest asset. Our successes to date have been due to the hard work of our staff. We recognize the commitment and dedication of our staff to achieving the best outcomes for the Natural Environment. The investment we make in our people is described in the Employees section of this report.

In addition, the relationship with key partners is vital to the success of Natural England's business. Natural England invested £4.9m (2011/12 £4.6m) in additional fixed assets to contribute to the delivery of its business objectives. Over and above this, Natural England manages directly, or through partners on behalf of the nation, 94,364 hectares of NNRs.

Future developments and the impact on Natural England as a going concern

Natural England will continue to support Defra through further change and financial challenges. Our work in 2013/14 will be set against the backdrop of the outcome of our Triennial Review and the transition to a new Rural Development Programme. Our Corporate Plan for the period 2013/14 to 2014/15 re-affirmed our commitments to the natural environment and explained how we were adjusting our priorities to reflect the changing operating and financial context. In accordance with this Corporate Plan we have a fully funded budget of £191m (£162m of which is GIA funded) in 2013/14 as confirmed by Defra. Our Corporate Plan 2013-15 has been prepared on the basis that Defra will be able to fund our indicative future settlements.

In the March budget the Chancellor announced that because of the state of the public finances, further cuts would be made to Departments in 2014/15 and 2015/16. We expect this to impact Natural England. The settlements for the years will be known at the end of June 2013 and we are working with Defra to plan for the implications of a further cut.

Defra have included our GIA for 2013/14 in their estimates, which have been approved by Parliament. We would expect continued support from Defra in future years. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Financial performance summary

Natural England's Funding and the main areas our money is spent on;

Natural England's main source of funding is GIA from Defra. In 2012/13 Natural England's total GIA to 31 March 2013 was £189m which made up 93% of its gross income. A breakdown of the remainder is shown in Note 6 of the accounts.

Natural England delivers its outcomes for the natural environment through GIA and other income it receives, but also through partnerships with other organisations that fund work for the natural environment.

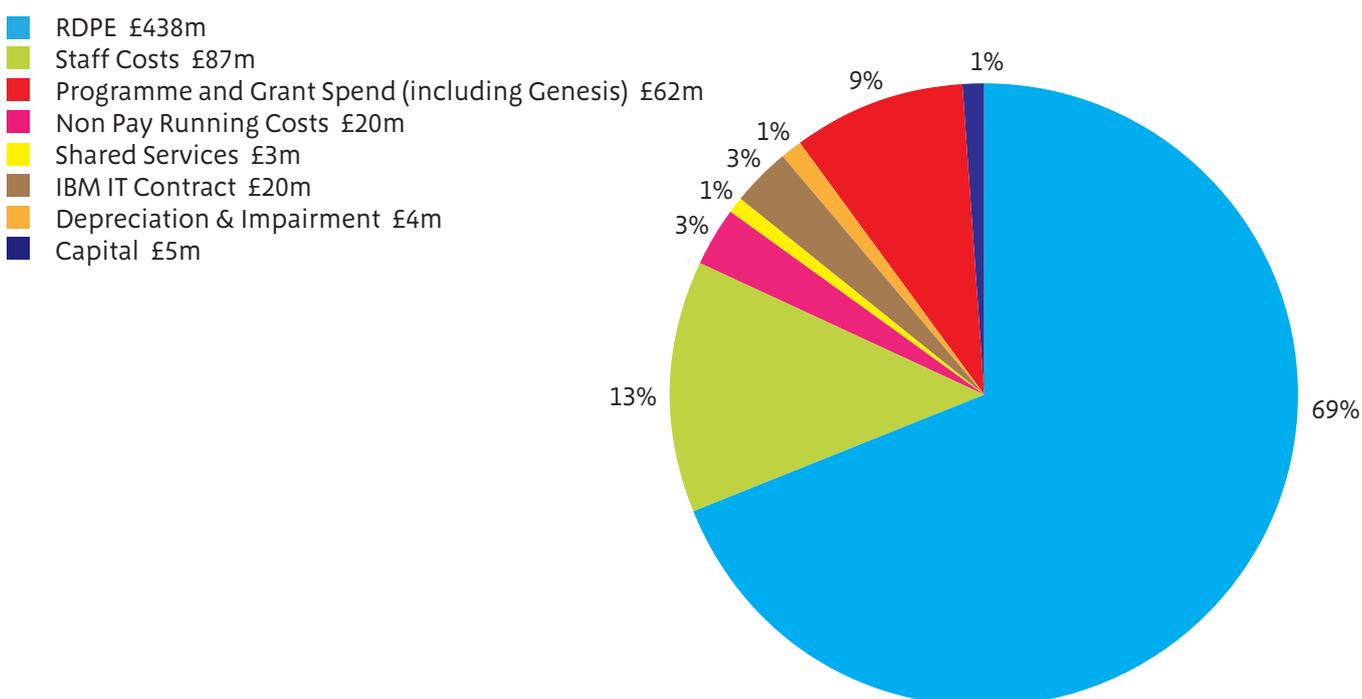
Natural England is also responsible for the management and delivery of the RDPE programme, which represented a further £438m (£430m 2011/12), paid to landowners and farmers for the environmental benefits delivered in 2012/13.

The graph below shows how our funding is utilised. It incorporates Rural Development Programme for England (RDPE) programme expenditure, which is integral in the delivery of our objectives. This programme spend is accounted for by Defra, but Natural England incurs the administrative cost of delivering the RDPE programme.

Total expenditure	
Natural England	£201 m
RDPE	£438 m

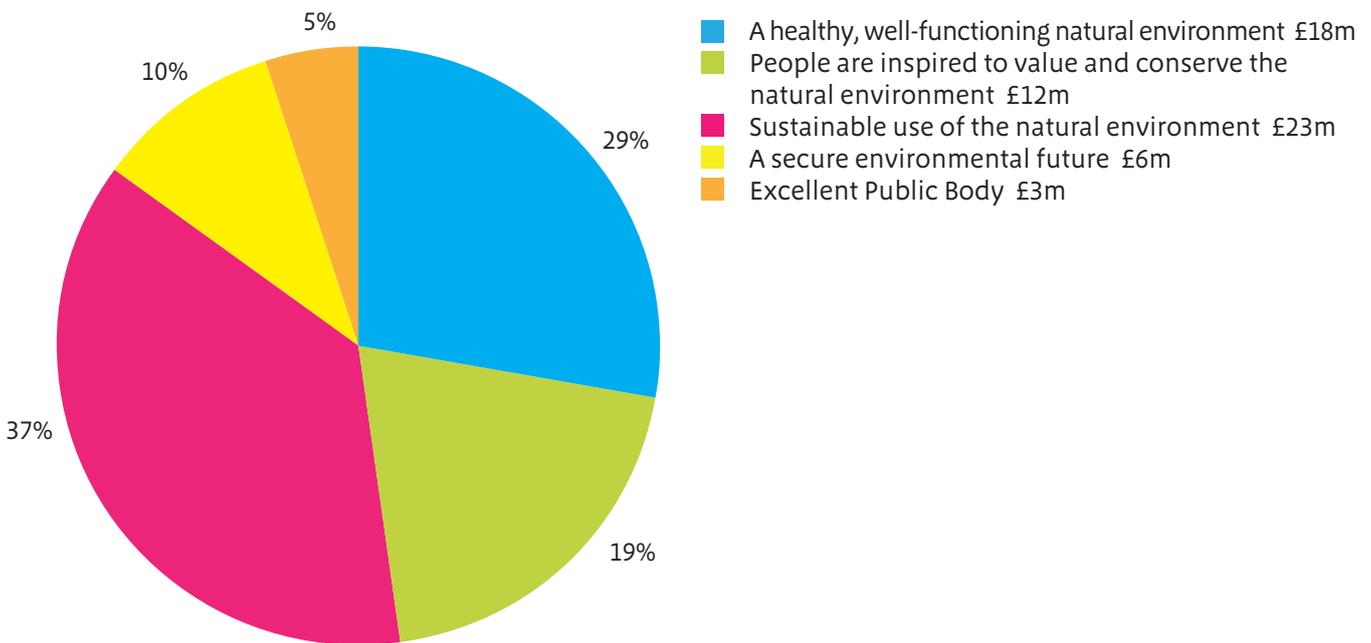
	£ 639 m

A detailed breakdown of Natural England's main categories of staff costs, other operating costs, programme, grant and information and publicity expenditure can be seen in the notes 4.1 and 5 to the accounts.



How the programme and grant expenditure relates to our outcomes

The programme and grant expenditure can be further analysed in terms of how it has helped us to achieve our main objectives, as outlined in this report as follows.



Total Programme and Grant Expenditure £62m. The analysis above is the direct expenditure on our outcomes, excluding staff and overhead costs.

Research and development

Natural England spent £7.12m (£4.6m in 2011/12) on science and monitoring evidence in 2012/13. This includes £156k from a Defra Capital grant for Automatic Weather Stations.

In addition to this Natural England provided £725k to support species recovery projects, co-ordinated the delivery of £1.09m worth of Environmental Stewardship monitoring activities covered by RDPE technical assistance funding, and provided staff time and expenses costs to carry out in-house monitoring.

The main areas of spend in 2012/13 were on: marine; terrestrial biodiversity and land management evidence; our long-term monitoring network; the project to Monitor Engagement with the Natural Environment; and evidence projects on Great Crested Newts. Other areas of spend included land use, access and engagement, making evidence more accessible, data management, ecosystems services, climate change and producing Geographical Information data.

Funds were targeted at those areas that are essential to deliver the organisation's strategic outcomes. Most (77%) of this spend was on monitoring Natural England's sites and interventions and surveillance of the state of our natural environment, but research (15%) was also funded to tackle specific priority evidence needs.

All non-capitalised development expenditure and all research expenditure is written off to the Statement of Comprehensive Net Expenditure in the year it is incurred.

Payment of trade and other payables

Government has a commitment to pay suppliers within 10 days and we aim to meet this target wherever possible. During 2012/13 97% (99% 2011/12) of Natural England's payments to suppliers met these criteria.

As at 31 March 2013 the amount owed to trade payables compared to the total sum invoiced by suppliers during 2012/13, expressed as a number of days is 16 days (13 days 2011/12).

Natural England is also subject to the Late Payment of Commercial Debts (Interest) Act 1998, which gives small firms with 50 or less employees a statutory right to interest for the late payment of commercial debts. Natural England incurred no late payment interest during 2012/13.

Employees

People are Natural England's most valuable resource. By valuing and respecting each individual we aim to maintain an organisation where the inclusive culture retains and attracts skilled and innovative people who have the talent to turn our organisational goals into reality. In valuing others, we also aim to provide excellent service to the wide range of individuals and customers that we interact with. Natural England has established a firm commitment to Diversity and Equality helping all employees to work together to build an inclusive environment. The Executive Director Corporate Services is the Executive Diversity and Equality Champion for Natural England and is supported by an advisory group comprising Director level champions with a range of Diversity leads embedded in each Functional team. This year we have refreshed our diversity plan to support the new Equality Duty and have published our annual report showing the progress we have made.

Natural England ensures that it has fair employment terms for its employees. We have published our Workforce Monitoring Data on our website to meet the requirements of the Equality Act. The Equality Duty requires that as a public body we should understand the potential effects of our activities on different people. We will use Equality Impact Assessments (EqIA) on all significant new policies, projects, practices, plans or programmes that affect people's experiences of Natural England as a service provider and/or as an employer to understand this.

Natural England's policy is to ensure all internal communications activity is transparent and timely, providing fair and accurate information to everyone. Our communications are inclusive and appropriate for the wide range of diversity represented amongst our people, therefore appealing to differing cultures and learning styles, and accessible via appropriate formats. Our communications are also supportive of Natural England's desire for sustainable ways of working and the Green Travel policy.

We have had two main learning and development priorities this year. The first was to help develop the skills required for those undertaking new roles within the revised business model. The second was to establish an infrastructure to ensure that our approach to Learning and Development was properly aligned to current and future business needs and priorities. We developed 22 Skills Frameworks this year which went live on 2 April 2012 and the first of these has been accredited by the Institute of Ecology and Environmental Management (IEEM). The Learning and Development Directory has been redesigned to link to and support the Skills Frameworks. In addition we have invested in the development of our Leadership and have introduced a framework of 6 core behaviours which are embedded in our refreshed Performance Management system.

Natural England's management and the Trade Unions (Public and Commercial Services [PCS], Prospect and the First Division Association [FDA]) continue to have open, positive and constructive dialogue, both through the mechanism of the National Joint Group and through the partnership approach, which was reviewed and approved this year. The close working relationship is based on mutual trust and understanding which, while respecting the sometimes differing priorities, is highly valued by both parties. It provides a valuable opportunity to address issues of mutual concern at the earliest point and within an environment that supports both pragmatic and innovative approaches during a time of changing priorities.

During 2012/13, Natural England employees incurred an average of 4.1 days of sick leave (4.2 days in 2011/12 and 4.5 days 2010/11). This remains well below the overall civil service average, of around 7.6 days per employee per year.

On 31 January 2012, the Chief Secretary to the Treasury announced a review of the tax arrangements of public sector appointees. The aim of the review was to ascertain the extent of arrangements which could allow public sector appointees to minimize their tax payments, and make appropriate recommendations.

The conclusions of the review were that:

- the most senior staff must be on the payroll, unless there were exceptional temporary circumstances which would require Accounting Officer sign-off and could not last longer than six months.
- departments (and their arms length bodies) must be able to seek formal assurance from contractors with off payroll arrangements lasting more than six months and costing over £220 per day that income tax and national insurance obligations are being met. If that assurance is not provided, contracts should be terminated.
- Departments (and their arms length bodies) are required to report to Parliament as part of their Annual Report and Accounts on the outcome of applying the above principles.

To ensure the recommendations of the review have been successfully implemented, the Treasury and Cabinet Office will carry out a monitoring process in 2013/14. This process will request information including:

- The number of off-payroll engagements for those earning more than £220 per day for longer than 6 months since 23rd August 2012;
- The number of these for whom assurance as to their tax obligations has been sought;
- The number who have successfully provided assurance; and
- Action taken against those who have not.

The following table shows the outcome for Natural England.

Table 1: For off-payroll engagements at a cost of over £58,200 per annum that were in place as of 31 January 2012

	Natural England
No. in place on 31 January 2012	1
<i>of which</i>	
No that have since come onto the organisation's payroll	0
<i>of which</i>	
No. that have since been re-negotiated/re-engaged, to include contractual clauses allowing the department to seek assurance as to their tax obligations	1
No. that have not been successfully re-negotiated, and therefore continue without contractual clauses allowing the department to seek assurance as to their tax obligations	0
No. that have come to an end	1
Total at 31 March 2013	0

Social Community Statement

Natural England seeks to actively engage diverse communities in the natural environment. We do this through our volunteer network and other access and engagement forums. Our aim is to promote personal wellbeing, social cohesion and inclusion and creating equal opportunity for people in existing and future communities. We benefit greatly from the enrichment and learning that their involvement brings.

Sustainability and Environmental Reporting

The achievement of sustainability is through 'Sustainable Development' which is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Our Sustainability and Environmental annual report is attached at Annex 1. This reports on our success in meeting Greening Government Targets and our own organisational stretching targets.

We recognise that our credibility is based not only on what we deliver to our customers, but on how sustainable we are as an organisation. We have continued to demonstrate our environmental leadership since we first committed ourselves to reduce our operational carbon emissions by 50% by the end of 2010. We have consistently year on year achieved our carbon targets. We are currently accreditors to the Carbon Trust Standard. We remain an exemplar organisation in demonstrating how to reduce carbon emissions through a combination of technological and behavioural solutions.

During 2013/14 we will be adopting the Government wide Greening Government Commitment (GGC) targets. Natural England remains committed to reducing its impact on the Environment and remaining a sustainable organisation.

Pensions

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. Natural England is unable to identify its share of the underlying assets and liabilities because it is part of a larger civil service scheme. The scheme actuary valued the scheme as at 31 March 2007. For 2012/13 employer's contributions were payable to the PCSPS at one of the four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The contribution rates are set to meet the cost of the benefits accruing during 2012/13 to be paid when the member retires and not the benefits paid during this period to existing pensioners. Employees have the option of a stakeholder pension with an employer contribution. Further details are described in paragraph 1.22.1 of the Accounting Policies and note 4.4.

Auditors

The accounts of Natural England are audited by the Comptroller and Auditor General under the Natural Environment and Rural Communities Act 2006. The audit fee was £130k (2011/12: £130k). No fees were charged for other services (2011/12: nil).

Disclosure of audit information to auditors

So far as the Accounting Officer is aware, there is no relevant audit information of which Natural England's auditors are unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that Natural England's auditors are aware of that information.

Remuneration Report

Appointments

All appointments to the Board are made on behalf of the Secretary of State for Environment, Food and Rural Affairs. The appointments are made in accordance with the Code of Practice for Ministerial Appointments to Public Bodies issued by the Office of the Commissioner for Public Appointments. Appointments are normally made for a period of three years.

Directors are appointed on merit on the basis of fair and open competition in accordance with the Constitutional Reform and Governance Act 2010. The Chief Executive and Executive Directors are employed under permanent contracts.

Senior staff appointment information and remuneration is reported in the tables below. No exit packages were paid to senior staff in 2012/13 or in 2011/12.

Salary

'Salary' includes gross salary, overtime and any other allowance to the extent that it is subject to UK taxation.

Board Members' remuneration is determined by Defra.

Performance related pay

Performance related pay is based on performance levels attained and are made as part of the appraisal process. Performance related pay relates to the performance in the year in which they become payable to the individual.

For 2012/13 the Chief Executive, Executive Directors and Directors have waived their right to all non-consolidated performance related payments. This response has been made after listening to staff in the organisation and to acknowledge the huge contribution they have made.

The remuneration report discloses in 2012/13 performance related pay paid in respect of 2011/12 performance, and in 2011/12 the non-consolidated pay in respect of 2010/11. This is in arrears due to the timing of the appraisal process.

Cash Equivalent Transfer Values (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension

Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Remuneration policy

Senior staff fall into two groups, the Chief Executive and Executive Directors. Natural England does not have a separate Remuneration Committee. All decisions relating to the Chief Executive's remuneration including performance bonuses are taken by the full Board and the Chief Executive determines Executive Directors' remuneration packages. The Board Members' remuneration is set by Defra.

The Chief Executive's and Executive Directors' remuneration is determined by:

- Using the Government's Job Evaluation System (JESP), for jobs falling within the Senior Civil Service cadre.
- A performance management framework, which determines pay awards and performance bonuses through the assessment of performance based on contribution at three levels:
 - Organisation;
 - Team;
 - Individual.

The Chief Executive and Executive Directors are required to provide three months' notice of their intention to leave. Board Members are required to provide one month's notice. If compensation is due it would be paid in accordance with the Civil Service Compensation Scheme.

Remuneration (audited information)

The remunerations reported are actual expenditure incurred in the year. Where a Board Member has been in post for less than a year the full year equivalent value is shown in the note to the table below.

Table 1: Natural England non Executive Board

Board Members	Period of appointment	2012/13 Days service	2012/13 Remuneration £000	2011/12 Remuneration £000
Chair				
Poul Christensen CBE	To 30/9/2013	156	70 - 75	70 - 75
Deputy Chair				
David Hill	To 30/06/2013	52	15 - 20	15 - 20
Members				
Peter Allen	To 30/09/2011	N/A	Nil	5 - 10 <i>Note a</i>
William Cockbain	To 30/09/2014	37	10 - 15	5 - 10 <i>Note b</i>
Catherine Graham-Harrison OBE	To 31/12/2014	37	10 - 15	10 - 15
Tony Hams	To 30/09/2011	N/A	Nil	5 - 10 <i>Note c</i>
Nigel Reader CBE	To 31/05/2014	37	10 - 15	10 - 15 <i>Note d</i>
Joe Horwood	To 30/09/2015	37	10 - 15	10 - 15
Doug Hulyer	To 30/05/2014	37	10 - 15	10 - 15
David Macdonald	To 30/09/2014	37	10 - 15	10 - 15
Andy Wilson	To 31/12/2014	34	10 - 15	10 - 15

No performance related pay or benefits in kind were paid in either 2012/13 or 2011/12.

Note	Period		Actual Remuneration £'000	Full Year Equivalent £'000
	From	To		
a) Peter Allen	01/04/2011	30/09/2011	5 - 10	10 - 15
b) William Cockbain	01/10/2011	31/03/2012	5 - 10	10 - 15
c) Tony Hams	01/04/2011	30/09/2011	5 - 10	10 - 15
d) Nigel Reader CBE	01/06/2011	31/03/2012	10 - 15	10 - 15

Board Members have no entitlement to performance related pay, pension contributions or other benefits (except the Chair who has a separate pension scheme set up by Defra which is described as 'by analogy to the main scheme').

The salaries reported are actual expenditure incurred in the year, where an Executive Director has been in post for less than a year the full year equivalent value is shown in the note to the table below.

Table 2: Natural England Executive Board

	Appointment date	2012/13		2011/12	
		Salary £000	Performance related pay £000	Salary £000	Performance related pay £000
Chief Executive					
Helen Phillips	27/02/2006	N/A	14	125 - 130 <i>Note a</i>	15
David Webster	01/03/2012	120 - 125	1	10 - 15 <i>Note b</i>	Nil
Executive Directors					
Jim Smyllie: People, Landscape and Biodiversity	01/10/2008	85 - 90	Nil	85 - 90	13
Guy Thompson: Customers and Land Management	19/06/2006	95 - 100	Nil	95 - 100	13
Paul Lambert: Corporate Services	01/02/2012	85 - 90	Nil	10 - 15 <i>Note c</i>	Nil
David Webster: Corporate Services	04/09/2006	N/A	Nil	90 - 95 <i>Note d</i>	13
Andrew Wood: Science, Evidence and Advice	01/04/2007	95 - 100	13	95 - 100	13

Performance related pay paid in 2012/13 relates to performance in 2011/12.
No Benefits in kind were paid in either 2012/13 or 2011/12.

Note:	Period		Actual Salary 2011/2012 £'000	Full Year Equivalent 2011/2012 £'000
	From	To		
a) Helen Phillips	01/04/2011	29/02/2012	125 - 130	140 - 145
b) David Webster	01/03/2012	31/03/2012	10 - 15	120 - 125
c) Paul Lambert	01/02/2012	31/03/2012	10 - 15	85 - 90
d) David Webster	01/04/2011	29/02/2012	90 - 95	95 - 100

The Non Executive Board agrees the Chief Executive's performance objectives each year, scrutinises the performance of the organisation quarterly at each open Board meeting, and at the end of the year assesses the performance of the Chief Executive against the agreed framework and performance objectives and approves an appropriate level of non-consolidated performance pay. This process is in accordance with the requirements of Natural England's Management Statement. On this basis the Chief Executive, is eligible to receive a non- consolidated performance payment of up to a maximum of 15% of their current salary. Along with other equivalent senior staff in the Civil Service this is currently capped at a maximum of £15 k per annum.

The non-consolidated performance related pay of the other Executive Directors and Directors is determined by the Chief Executive and under their contracts allows for a payment up to a

maximum of 15% of salary. Levels of non consolidated performance payments for Civil Service senior staff are determined by the Cabinet Office and for 2012/13 were capped at £12.5k for Executive Directors and £10k for Directors. For 2012/13 the Chief Executive, Executive Directors and Directors have waived their right to all non-consolidated performance related payments. This decision has been made after listening to staff in the organisation.

Median Pay

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

	2012/13	2011/12
Highest Earners total remuneration	£120 k - £125 k	£150 k - £155 k
Median total remuneration	£29,450	£29,882
Ratio	4.2	5.1

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

The highest paid director is the Chief Executive, David Webster who replaced Helen Phillips on 1 March 2012.

Pension Benefits – Chief Executive & Executive Directors

Board Members are not entitled to join the PCSPS pension scheme.

	Total accrued pension at age 60 at 31 March 2013 and related lump sum (LS) £000	Real increase in pension and related lump sum at age 60 £000	CETV at 31 March 2013 £000	Restated CETV at 1 April 2012 £000	Real increase in CETV £000
Chair					
Poul Christensen CBE	5 - 10	0 - 2.5	113	89	19
Chief Executive					
David Webster	60 - 65	10 - 12.5	918	859	150
Executive Directors					
Jim Smyllie	20 - 25 / LS 70 - 75	0 - 2.5 / LS 0 - 2.5	502	464	9
Guy Thompson	10 - 15	0 - 2.5	120	95	15
Paul Lambert	15 - 20	0 - 2.5	256	212	27
Andrew Wood	45 - 50	2.5 - 5	918	818	52



David Webster
Accounting Officer and Chief Executive

27 June 2013

Statement of Accounting Officer's responsibilities

Under Schedule 1, Section 24(2) of the Natural Environment and Rural Communities Act 2006, Natural England is required to prepare for each financial year a Statement of Accounts in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Natural England and of its net operating costs, changes in taxpayers' equity and cash flows for the financial year.

In preparing the Statement of Accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- Observe the Accounts Direction issued by H M Treasury, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis.
- Make judgments and estimates on a reasonable basis.
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the financial statements.
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that Natural England will continue in operation.

The Accounting Officer of Defra has designated the Chief Executive of Natural England as Accounting Officer of Natural England. The Accounting Officer is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that Natural England make are applied for the purposes intended and, for the use, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Natural England's assets, as set out in *Managing Public Money*, published by HM Treasury.

David Webster, Chief Executive

Governance Statement

1. Introduction

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Natural England's policies, aims and objectives, whilst safeguarding the public funds and organisational assets for which I am personally responsible in accordance with the responsibilities assigned to me in *Managing Public Money*. I am also required to ensure that Natural England complies with the relevant codes of corporate governance which in our case is "*Principles of Good Governance in Executive NDPBs*" issued by the Cabinet Office.

2. Governance Framework

The primary purpose of the Board is to establish strategy and approve policy direction for Natural England, including:

- Ensuring appropriate interpretation of the General Purpose of Natural England as set out in the NERC Act 2006 and directing it in areas that are conducive to the discharge of its functions.
- Development and communication of Strategic Direction, policies and corporate values.
- Approval and review of the Corporate Plan and annual budget within the resources framework determined by the Secretary of State.
- Approval of policies, including responses to significant Government consultations.
- Taking account of any public policy directions from the Secretary of State.

The Board has responsibility to scrutinise, review and evaluate:

- Performance of Natural England in delivering its Strategic Direction and policies.
- Overall operation and management including, in particular, systems of internal control.
- Identification and management of risk.
- Achievement of value for money and the use of resources in delivery of its Strategic Direction.
- Compliance with statutory and regulatory requirements and with corporate governance principles as laid down in HMT guidance.

A Strategic Statement outlines how the Board will discharge its responsibility which includes compliance with corporate governance principles as laid down by HM Treasury. Governance arrangements are detailed in the Management Statement. These two statements taken together act as the Board Operating Framework, and is supported by the Financial Memorandum, which sets out the financial framework within which Natural England is required to operate.

The Management Statement and Financial Memorandum have been in place since vesting in 2006 and are in the process of being revised to bring them into line with guidance provided in Managing Public Money and to reflect changes that have taken place since vesting. As part of this review the two documents are being brought together in a single Framework Document although the process for agreeing this new document is on hold, at Defra's direction, until after the Triennial Review has concluded in 2013.

We are reviewing the recent HM Treasury guidance on government analytical models to ensure our processes accord with the recommendations. This will further evidence that we have an appropriate framework in place for all business critical models which either:

- drive key financial and funding decisions;
- are essential to the achievement of our business plans; or
- where error could lead to serious financial, legal or reputational damage.

3. Board Governance

The Natural England Board comprises the Chair and eight other non-executive members appointed by the Secretary of State. The minutes, including Board attendance, together with agendas and papers are available at www.naturalengland.org.uk.

Standard agenda items at Board meetings include the Chief Executive's Report (covering delivery of the Corporate Plan, financial position, compliance, Rural Development Programme for England [RDPE] and strategic issues) and reports received from its committees. Examples of other topics discussed at 2012/2013 Board meetings are:

Board Topics	Review and approval
Evidence Strategy	Provides a statement of the critical role of evidence and the importance of all our staff in evidence work. It sets out the drivers for our work, our evidence priorities and principles.
Designations Strategy	Defines the framework for making choices about all our landscape and ecological designations. An earlier draft had been commented on and strategy shared with stakeholders.
SSSI Notifications	Notification of a number of sites as SSSI during the year.
Schemes of Delegation	Updated schemes of delegation that operate in Natural England and approved the proposed delegations from the Board to the Executive.
Corporate Plan 2013-15	Seek the Board's endorsement of the draft Corporate Plan prior to submission to Secretary of State.
National Trails Review	Update on the findings of the review of National Trails management and the changes that will be implemented as a result of these.

Our Board receive a high volume of briefing papers which support their work and the process of assuring quality Board papers has evolved in response to Board member feedback. Standard templates and guidance are available to ensure Board members receive suitable products to aid their work. The templates provide clarity of messaging, ensuring ideas are clearly communicated. Where appropriate, strong examples to illustrate points or provide evidence are included. Board meeting dates are published twelve months in advance and QA timetables are agreed with Sponsoring Directors to ensure papers are appropriate. Papers are also shared with an experienced briefing author prior to submission.

4. Board Performance

The Board assesses its performance annually through a self assessment questionnaire developed with the NAO. The results of this year's questionnaire were discussed at the March 2013 meeting. Board assessment is based on the criteria of six core principles of good governance developed for the Board drawing on best practice from across the public sector. It aims to provide an overall Board assessment against the governance framework which is consistent with Cabinet Office guidelines. Overall Board Members consider that the Board is effective and works well and with a good balance between time available and the volume of business for individual members. There was a 100% attendance by the nine Board members for all Board meetings except for one, where one member was unable to attend.

The Audit and Risk Committee (ARC) conducts an annual review of its own effectiveness through a questionnaire and an NAO facilitated workshop which tests the conclusions and identifies actions for improvement. Progress of the actions identified at the March 2012 review has been monitored at the ARC meetings during the year and the majority of actions have been implemented. With the agreement of the committee a simplified NAO diagnostic tool was used for the review in March 2013. Attendance for members of ARC has been complete except for one apology for non attendance for one member at one meeting only.

5. Board Committees

The Board has established two committees; the Science Advisory Committee (SAC) and the Audit and Risk Committee (ARC). Both of these committees contain Executive and non Executive Directors. Annually the Board reviews and approves the terms of reference for these committees. Both committees are chaired by a Board member and include two other Board members.

The SAC has an important role challenging and reviewing our science and evidence. It provides advice to the Board on the integrity and relevance of our overall evidence programme and of prospective research. It provides a link between the Board, our staff and the wider research community ensuring that Natural England is kept aware of current and emerging relevant issues in the natural and social sciences. It discusses aspects of our business where science and evidence are at the forefront of our interventions. It provides scrutiny of our summaries of evidence and challenges to our use and generation of evidence. The committee produces quarterly and annual (September) reports to the Board.

The SAC offers subject expertise across a range of fields appropriate to Natural England's work including: environmental change, climate change, biodiversity, animal behaviour, landscape, geology, ecosystem services, economics, access and recreation, agri-environment management, human and physical geography and population, marine, freshwater and computational ecology.

The objective of the ARC is, through challenge, scrutiny, monitoring and advice, to assist the Board to fulfil its corporate governance responsibilities and to ensure that there is an appropriate control environment. It oversees the strategic processes for risk management, control and governance together with reviewing overall compliance to, and effectiveness of, the internal control framework. The ARC advises on, reviews and evaluates work plans and reports received from internal and external audit. In discharging its function of advising and assisting the Board in its governance role, the Committee provides support to me in the form of objective advice on the systems of internal control within the organisation and constructive challenge to the assurances available.

The Chair of the ARC participates in the regular meetings where the Chairs of the Audit Committees from the Defra Network discuss a range of risk related topics. To ensure that Defra has sight of any issues, the Department's Head of Internal Audit has an open invitation to attend Natural England's ARC meetings. The Board receives copies of the ARC minutes and regular reports from the Chairman on the work of the Committee including an annual report.

6. Executive Governance

Executive governance is delivered through the Executive Board; the Operations Group, and the Governance Group together with functional management teams overseen by specific Executive Directors all of whom interact to achieve delivery.

The Executive Board is chaired by me as Chief Executive and comprises the four Executive Directors. It normally meets twice a month and is concerned with advising the Board on the strategic direction for Natural England and, once that is approved, for ensuring it is delivered through the Corporate Plan. This includes identifying any strategic risks to this purpose and putting in place appropriate countermeasures to mitigate their affect. It provides leadership to the organisation in setting plans, reviewing performance and ensures that resources are allocated effectively.

The Operations Group is an executive group meeting monthly and its remit is to ensure delivery of the operational objectives and in year performance, advising the Executive Group on any areas of concern. It also receives and reviews the Programme Risks and Issues Register, identifying risks that need escalating.

Finally the Governance Group brings together Director representation from across Natural England's functions to provide a detailed focus on governance principles, processes and procedures to assist the Executive Directors and the Operations Group in promoting good governance across Natural England. In addition, it acts as a provider of advice and independent opinion on good governance within Natural England.

We have in place Financial and Non-Financial Schemes of Delegation, guidance on regularity and propriety, and an anti-fraud policy and procedure, together with a whistle blowing procedure to comply with the Public Interest Disclosure Act 1998. We have recently introduced mandatory Fraud Awareness initiative and in the past six months, 97% of required staff have already completed the training. We take fraud matters seriously with independent investigations carried out where appropriate.

We have in place robust information risk governance structures with a Senior Responsible Officer at Executive Director level responsible for information risk. Information asset owners take responsibility for the confidentiality, integrity and availability of key information assets. Natural England works closely with the Defra network in ensuring that common issues are

addressed in a consistent manner and experience shared. Refresher training on information handling has been made available for all staff.

Natural England has a full internal audit service with an in-house Head of Internal Audit. External assistance is supplied by RSM Tenon, who also provide assurance to others in the Defra network. The Head of Internal Audit (HIA) provides an annual opinion on Natural England's systems of internal control with reference to control, risk and governance. He bases his opinion on a range of reviews approved by the Chief Executive and endorsed by the ARC and has assessed the overall control environment as having a 'moderate level of assurance that Natural England is operating effectively'. The HIA has also been consulted on, and is satisfied with the contents and production of this Governance Statement.

7. Executive Performance

Performance management is exercised through the Executive Board, Operations Group, Evidence Group and Programme and Project Boards. Team Plans are in place for individual teams which allocate responsibility for meeting the corporate targets in our corporate plan. The performance of our teams is measured each month against key performance indicators (KPI) and each quarter against other targets in the Corporate Performance Management System.

The performance status is generated by the system and KPIs are reviewed by the Operations Group each month. Quarterly, a report of Natural England's performance against its objectives and forward look is presented to the Defra Supervisory Board.

8. Corporate Governance Compliance

Natural England is required to comply, or explain any non-compliance, with the *Corporate Governance Code*. This outlines requirements in a number of topic areas and I consider that Natural England has complied with the code as evidenced below.

Accountability

The accountability of Natural England and the Secretary of State is set out in our governance documentation and we fully comply with the principles in *Managing Public Money* and any spending controls that are put in place. I am the Accounting Officer for the organisation and my role is defined in my appointment letter of 16 February 2012. I chair the Executive Board that has overall responsibility for executive governance. This responsibility is devolved through the scheme of delegation to the individual Executive Directors, Directors and their teams, all of whom interact to provide appropriate governance over delivery.

Roles and Responsibilities

These are described in the governance documents and cover the sponsoring department and team, the Board, its Chairman and its members.

Effective Financial Management

Each year, after examination by NAO and scrutiny by the ARC on behalf of the Board, we publish our Annual Report and Accounts in accordance with HM Treasury guidance. As outlined elsewhere in this statement, risk management arrangements are in place as part of the internal control systems with internal and external audit services also being received.

Communications and Transparency

Our key stakeholders have been identified and we have in place appropriate communication channels. We are committed to openness; our Board meetings are held in public and Board papers and expenditure data published on our Internet site. We have correspondence and complaints handling procedures.

Conduct and Behaviour

The Strategic Statement outlines the principles relating to our Board. We have a code of conduct for the Board and similarly we have a code of conduct for our staff, where compliance is checked twice a year. We maintain a register of interests and related party transactions for the Board and staff. We also have a set of core behaviours that we expect our Board members, Directors and staff to demonstrate.

Customer Service

Natural England is committed to improving the service we give to our customers and aims to provide the highest possible standard of service. Natural England has used external formal Customer Service Excellence (CSE) accreditation (to Cabinet Office standards) as a driver to underpin the cultural change being delivered across the organisation as we seek to become, and be recognised for being, positively customer focused. The majority of our customer facing teams have been accredited and are delivering to and supporting more than 185,000 customers. We use customer and industry panels and staff interchange opportunities to seek feedback, get input to shape the development of new initiatives we wish to deliver and build a shared understanding of the drivers and constraints that we and our customers operate under in our day to day work. The results from this year's surveys have been very positive with both partners and customers recognising the efforts we have made to deliver high quality customer service.

Remuneration and recruitment of Board members is regulated by Defra, rather than a Remuneration committee, with the Chief Executive responsible for the appointment of Executive Directors. We adhere to all guidance issued on recruitment and pay, with the staff pay remit agreed by Defra.

9. Internal Control

As Accounting Officer I have responsibility for reviewing the effectiveness of internal control. This review is informed by the Executive Directors, Directors, Governance Group, Heads of Teams, Team Delivery Managers / Leaders who are responsible for the development and maintenance of the internal control framework. This is supported by the work of Internal Audit, comments made by the external auditors in their management letter and other reports and advice from the ARC and Board.

Assurance is sought twice yearly through internal governance compliance questionnaires with the questions, coverage and guidance reviewed prior to issue. These questionnaires require staff to make an evidenced assessment about the adequacy of the control framework that has been in place throughout the period, highlighting any areas of control weaknesses and identifying improvement action plans. The results from these statements form part of the review of compliance by the ARC, myself as Accounting Officer and the Board.

The overall results to the year-end show the number of responses that “entirely agree” the controls were operating correctly to be 91%. This is an improvement from the positive results of 89% reported at the end of 2011/12. Within the specific categories of the compliance questionnaire, two areas fall below the 90% “entirely agree” responses, these areas being ‘Management Systems’ and ‘Financial Systems and Control’. Within the former area, it is reported that Business Continuity and Emergency Response Plans are now in place. Not all plans have been tested, but where these have been, they have proved resilient and there is no control weakness to report. In relation to ‘Financial Systems and Control’, partial compliance is recorded against Procurement procedures and providing supporting documentation to Defra Shared Services Directorate (SSD).

The services we receive from Defra SSD are set out in a Service Level Agreement (SLA) and supported by a series of key performance indicators which will be reviewed by the end of the year. There is a specific control questionnaire for SSD and all responses were “entirely agree”.

A standard part of our control processes is a regular review undertaken by Internal Audit providing an assessment of the level of assurance over the governance compliance assessment and reporting process. For 2012/13, this review provided a suitable level of assurance over the interim process with only minor improvements suggested.

Natural England strives to be a learning organisation. It has relevant processes in place to ensure both that reviews are initiated to learn lessons in cases where performance has fallen short of expected standards and that the specific actions and recommendations arising from those lessons learned are systematically followed up. During the year a number of reviews were conducted, including a review of process and practice to mitigate the risk of the disallowance of rural development grant, and issues involving an historic case relating to compensation for amending the conditions of a licence to achieve better environmental outcomes. Lessons learnt have led to improvements in process and practice as well as a change in culture where required. Completion of actions from key issues is reported to the ARC regularly and to the Board as appropriate.

10. Risk Assessment

The Risk Management Assessment Framework has been reviewed and was approved by the ARC in December 2012. A zero-based review of the Strategic Risk Register (SRR) and the Board’s role in risk management commenced at the March 2012 ARC meeting and was taken forward at the May 2012 Board meeting in a specific workshop. As a result, Board ownership of the strategic risks has been reinforced and a refreshed SRR produced. We are prepared to take considered risks to deliver some innovative work but have a lower risk appetite in areas where there are explicit statutory duties. In addition, we are leading a review of the Defra Risk Management policy.

The Risk Control Framework seeks to embed risk management within business processes. Visibility of risks has been recognised as important for monitoring and controlling against the risk appetite for Natural England using the following controls:

- The SRR is reviewed by the Executive Board and the ARC on a quarterly basis and regularly by the Board.
- A risk management action plan, with named risk owners, is produced for each risk with actions shown to mitigate and manage the risks.

- Subsidiary risk registers are produced at the project, programme and function level.
- Quarterly performance reviews are undertaken by Directors who assess risk as part of the process.
- A risk and issues management standard that defines a consistent approach to risk management was launched in April 2012 with an induction and training programme.

Extracts from the SRR are:

Key risks	Mitigation measures
CAP reform. Outcome results in reduced funding, less support and lower incentives reducing our ability to deliver outcomes.	Full participation in Governance Groups ensuring that Pillar 2 needs are fully addressed in the programme; from the scenario considered, develop a response that optimises benefits for the natural environment.
CAP reform. Timings of the final decisions result in contracts being let for new IT systems and build before requirements finalised resulting in increased risk of delays, errors and reputational damage.	IT support to the CAP schemes co-ordinated through the programme; planning taken forward in a joined up manner; existing systems maintained to support delivery until new IT solution available.
Customer Expectations. Failure to meet customer expectations results in litigation and reputational damage.	We continue to make tangible progress on accreditation and organisational culture change, as well as maintaining positive point of contact customer feedback above the public sector benchmark. All of our customer facing functions are now meeting the CSE standard.
Economic Growth. Our regulatory advice, actions and relationship with customers results in the perception that we are a block/hindrance to economic growth.	Regulation standards are in place; we participate in the Defra Better Regulation review; integrated advice and regulation change programme in place; a communications plan to be produced.

11. Significant governance or internal control issues

Control issues reported in the 2011/12 Governance Statement and current status are:

Issues reported in 2011/12 Governance Statement	Status at 31 March 2013
Business continuity planning (BCP), awareness and testing.	Improvements have been noted during the year in the production of team BCPs and where tests have been conducted, they appear robust. No longer considered a significant issue as teams have demonstrated their ability to operate in a range of business continuity scenarios.
Assurance on controls operated by SSD.	After the specific failures raised last year, the control environment has improved due to the identified actions being taken.
Control of assets and inventory.	Recorded a significant improvement in the compliance questionnaires with 90% stating "entirely agree" and 10% responding "partly agree".
Estates recharges from Defra.	The proposal for a fixed charge for 2012/13 was not agreed by Defra. This would have provided certainty on charges. However, we continue to work closely with Defra estates and have not had the issues this year as experienced in previous years.

Identified significant internal control issues for 2012/13 are:

Issue	Management Action
<p>Information security The current Defra Bovine Tuberculosis policy has introduced a small amount of information of a higher sensitivity than usual.</p>	<p>Extra security procedures have been put in place to handle this data accordingly along with enhanced guidance to promote increased security both in and out of the office, such as email handling and phone calls.</p>
<p>Defra's CAP Delivery Programme This will develop a new IT system for all Common Agricultural Policy funding in England from scheme year 2015. The aim is to deliver better services for customers and better value for money to the taxpayer. This will be achieved by delivering a cost effective, flexible, easier to use and integrated online system to support the delivery of CAP Schemes administered by the Rural Payments Agency, Natural England, the Forestry Commission and Defra's Rural Development Team.</p>	<p>The Chief Executives (or equivalent) of all these Network bodies are members of the CAP Delivery Programme Board, as are the Programme SRO and senior members of the CAP negotiation and policy teams. The Programme Governance brings together policy and delivery accountabilities for both Pillars 1 and 2 of the CAP. We continue to review our governance and responses to the challenges of CAP. We see this as a key risk to our operation.</p>

Areas where we have identified other control issues are:

Issue	Management Action
<p>There were a small number of minor incidents involving the loss of personal information during the year.</p>	<p>Procedures around e-mailing and inspection dossiers have been tightened as a result.</p>
<p>Back office services provided by SSD There was an issue arising from an Oracle Java update installed in July, resulting in problems with the requisitioning process.</p>	<p>The issue related to the adequacy of the testing regime which impacted upon our processes. Weekly calls were established with SSD to develop and communicate suitable workarounds. A fix was applied and tested successfully during August. No further issues have been identified since the fix was applied.</p>

I submit this Governance Statement based on my knowledge and the information supplied to me by those involved in governance, risk management and control within Natural England.



David Webster
Accounting Officer and Chief Executive

27 June 2013

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of Natural England for the year ended 31 March 2013 under the Natural Environment and Rural Communities Act 2006. These comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Natural Environment and Rural Communities Act 2006. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Natural England's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Natural England; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Natural England's affairs as at 31 March 2013 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Natural Environment and Rural Communities Act 2006 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Natural Environment and Rural Communities Act 2006 and Secretary of State directions issued thereunder; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Comptroller and Auditor General

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

3 July 2013

Statement of Comprehensive Net Expenditure for the year ended 31 March 2013

	Note	2012/13 £000	Restated 2011/12 £000
Expenditure			
Staff costs	4.1	86,505	85,376
Depreciation & Amortisation	5	4,190	4,195
Programme & Grant expenditure	5	39,956	37,345
Other expenditure	5	70,192	72,510
Total Expenditure		200,843	199,426
Income			
Income from activities	6	(12,198)	(12,753)
Other income	6	(1,524)	(4,823)
Total Income		(13,722)	(17,576)
Net Expenditure		187,121	181,850
Interest receivable		(8)	(8)
Net Expenditure after interest		187,113	181,842

Other Comprehensive Expenditure

Net (gain) /loss on revaluation of Property Plant and Equipment <small>Note a</small>	7.1	(866)	(568)
Net (gain) on revaluation of heritage assets	8	(2,411)	(2,309)
Net (gain) on revaluation of Agricultural Biological Assets	9	(1)	(9)
Net (gain) loss on pensions provision	4.5	5	(2)
Total Comprehensive Net Expenditure for the year ended 31 March		183,840	178,954

Note a: The 2011/12 net revaluation of Property, Plant and Equipment has been restated to exclude the service asset concession movement (5,443k) as this is already included within other expenditure shown within note 5.

The accounting policies and notes on pages 65 to 108 form part of these financial statements.

Statement of Financial Position as at 31 March 2013

	Notes	31 March 2013 £000	31 March 2012 £000
Non-current assets:			
Property, plant and equipment	7.1	20,125	23,900
Intangible assets	7.2	5,222	3,591
Heritage assets	8	61,400	59,132
Agricultural biological assets	9	154	95
Trade and other receivables	14.2	5	7
Total non-current assets		86,906	86,725
Current assets:			
Inventories	13	97	86
Trade and other receivables	14.1	4,566	5,602
Cash and cash equivalents	15	32,228	19,451
Total current assets		36,891	25,139
Total assets		123,797	111,864
Current liabilities:			
Trade and other payables	16.1	(54,000)	(42,704)
Pension Provision	17.1	(6)	(17)
Other provisions	17.2	(1,798)	(3,880)
Total current liabilities		(55,804)	(46,601)
Total assets less current liabilities		67,993	65,263
Non-current liabilities:			
Provisions	17.2	(1,109)	(1,223)
Pension liabilities	17.1	(238)	(198)
Other payables	16.2	(4,308)	(7,133)
Total non-current liabilities		(5,655)	(8,554)
Assets less liabilities		62,338	56,709
Taxpayers Equity			
Capital Reserve	22	32,269	35,203
Revaluation Reserve	23	54,632	51,515
Revenue Reserve	24	(24,563)	(30,009)
		62,338	56,709

The accounting policies and notes on pages 65 to 108 form part of these financial statements.



David Webster
Accounting Officer and Chief Executive

27 June 2013

Statement of Cash Flows for the year ended 31 March 2013

	Notes	2012/13 £000	2011/12 £000
Cash flows from operating activities			
Net expenditure after interest		(187,113)	(181,842)
Adjustment for non cash items			
- depreciation & amortisation	7.1 & 7.2	4,190	4,195
- impairment	12	190	0
- (surplus)/ loss on disposal of assets net of Proceeds	5	1,409	(193)
- write backs net of provisions provided for in year	17	(394)	(908)
- Exchange gain		30	0
- IFRIC 12 write down of lease	7.1a	1,767	5,443
(Increase)/Decrease in trade and other receivables	14	1,038	(323)
(Increase)/Decrease in Inventories	13	(11)	(10)
Increase/ (Decrease) in trade payables	16.1	11,296	6,537
Use of Provisions	17	(1,772)	(16,364)
Net cash outflow from operating activities		(169,370)	(183,465)
Cash flows from investing activities			
Purchase of property, plant and equipment	7.1	(1,935)	(1,932)
Purchase of intangible assets	7.2	(2,885)	(2,605)
Purchase of non current heritage assets	8	(10)	(1)
Purchase of agricultural biological assets	9	(80)	(55)
Increase/ (Decrease) in non current payables	16.2	(2,825)	(2,710)
Proceeds of disposal of property, plant and equipment		405	579
Net cash outflow from investing activities		(7,330)	(6,724)
Cash flows from financing activities			
Interest		8	8
Grants from Parent department	24	189,469	201,699
Net financing		12,777	11,518
Net increase in cash and cash equivalents in the period	15	12,777	11,518
Cash and cash equivalents at the beginning of the period	15	19,451	7,933
Cash and cash equivalents at the end of the period	15	32,228	19,451

The accounting policies and notes on pages 65 to 108 form part of these financial statements.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2013

	Capital Reserve (Note 22) £000	Revaluation Reserve (Note 23) £000	Revenue Reserve (Note 24) £000	Total Reserves £000
Balance at 31 March 2012	35,203	51,515	(30,009)	56,709
Grant from Parent			189,469	189,469
Transfers between reserves		(163)	203	40
Comprehensive Net Expenditure for the year			(187,113)	(187,113)
Movements in reserves				
Non current asset movements	(2,934)		2,894	(40)
Increase in bequests			(7)	(7)
In year revaluations		3,280	0	3,280
Balance at 31 March 2013	32,269	54,632	(24,563)	62,338

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2012

	Capital Reserve (Note 22) £000	Revaluation Reserve (Note 23) £000	Revenue Reserve (Note 24) £000	Total Reserves £000
Balance at 31 March 2011	40,245	49,055	(55,430)	33,870
Grant from Parent	0	0	201,699	201,699
Transfers between reserves	0	(417)	417	0
Comprehensive Net Expenditure for the year	0	0	(181,842)	(181,842)
Movements in reserves				
Non current asset movements	(5,042)	0	5,066	24
Increase in bequests	0	0	81	81
In year revaluations	0	2,877	0	2,877
Balance at 31 March 2012	35,203	51,515	(30,009)	56,709

Notes to the Financial Statements

1 Statement of accounting policies

Basis of accounting

These Financial Statements have been prepared in accordance with the 2012/13 *Government Financial Reporting Manual* (FReM) issued by H M Treasury and the accounts direction issued by the Secretary of State, in accordance with Schedule 1, Sections 23 and 24 of the Natural Environment and Rural Communities Act 2006. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Natural England, for the purpose of giving a true and fair view has been selected.

The particular policies adopted by Natural England are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Significant judgements and estimation uncertainty

In the process of applying Natural England's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

1.1.1 Indexation of Non-Current Assets

Between professional quinquennial revaluations, all freehold Land and Building are updated annually where material using indices as stated in notes 1.4.1 & 1.8.1. Depreciation of these assets is spread across the deemed useful economic life, which also requires the use of judgement.

1.1.2 Employee Benefit Accrual

Natural England accounts for unused annual leave as at 31 March. This is included as an accrual and the movement in year is recognised as an expense within staff member costs at the reporting date in accordance with IAS 19 'employee benefits'. This has been calculated based on unused annual leave for a sample of 100 employees and requires the use of estimation and judgement.

1.2 Accounting Convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, intangible assets and inventories. Revaluation of non-current assets is taken to a Revaluation Reserve. Impairments are taken to the Revaluation Reserve where a balance exists for the asset, otherwise they are charged in year to the Statement of Comprehensive Net Expenditure. The particular accounting policies adopted by Natural England are described below.

1.3 Going Concern

The Statement of Financial Position at 31 March 2013 shows net assets of £62m. This includes heritage assets of £61m included in the Statement of Financial Position to meet the requirements of FRS 30. If the heritage asset valuation is excluded then Natural England's financial position shows net assets of £1m. This reflects the inclusion of liabilities falling due in future years (including a provision for severance and early retirement costs for which a provision of £1.1m remains) which, to the extent that they are not to be met from Natural England's other sources of income, may only be met by future grants or GIA from Natural England'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.

GIA for 2013/14, taking into account the amounts required to meet Natural England's liabilities falling due in that year, has already been included in the Defra 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. We would expect that the liabilities due in later financial years primarily for IBM and Estates will similarly be met by the Department. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.4 Non-Current Property, Plant and Equipment Assets and Depreciation

1.4.1 Recognition and valuation

Non-current property, plant and equipment assets are carried at fair value, stated at the lower of replacement cost and recoverable amount. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of an asset is based on its present location and condition.

Land and buildings are reported in the Statement of Financial Position at fair value, stated at market value. The land will be periodically revalued every five years by our internal valuers. In between valuations values are updated annually using indices issues by the Royal Institute of Chartered Surveyors (RICS). The buildings will be periodically valued every five years by an external valuer. In between valuations the buildings and leasehold improvement values are updated annually using indices issues by the department of Business and Innovation & Skills (BIS).

Natural England has set a capitalisation threshold of £5k for assets except for land. The cost of individual items below this threshold is charged directly to the Statement of Comprehensive Net Expenditure.

Subsequent expenditure on an asset is capitalised if the criteria for initial capitalisation are met, i.e. if it is probable that economic benefits will flow to Natural England, and the cost of the expenditure can be reliably measured.

Each component of an asset with a value deemed material to the total fair value of the asset and with a materially different useful life is capitalised and depreciated separately. All other assets are carried at fair value at depreciated historical cost. Up to 31 March 2009, short life assets such as vehicles were updated annually by means of a desk top review, using *Price Index Numbers for Current Cost Accounting* published by the Office for National Statistics. Agreement was reached with our auditors that from 1 April 2009, Natural England would stop indexing short life assets on a yearly basis, as the sums involved were immaterial.

1.4.2 Service Concession Arrangements (IFRIC12)

Defra has entered into a contract with IBM for the supply of IT services, and Natural England is party to this contract. The contract is for a term of eight years from February 2010. The contract falls within the scope of IFRIC 12 and is disclosed within the accounts as a service concession arrangement. A lease liability has been included to reflect the capital value payments to IBM to lease IT infrastructure assets throughout the duration of the 8 year contract. A matching asset has been raised to reflect the benefit that the Department will derive from having access to IBM's IT infrastructure assets. Depreciation has been applied on a straight line basis consistent with the department's depreciation policy.

These IT infrastructure assets, which consist of laptops, servers and hardware, are classed as one tangible service concession asset under property, plant and equipment.

1.5 Depreciation

Depreciation is provided on all non-current property, plant and equipment assets other than land and assets classified as held for sale. The rates applied are calculated to write off the cost or valuation of each asset evenly over its expected useful life. Standard write off periods are shown below although alternative lives may be used where relevant information is available to ascribe an expected useful life:

■ Freehold buildings	50 years
■ Improvements to leasehold buildings	10 years
■ Computer equipment	3 to 5 years
■ Plant and other equipment	5 to 10 years
■ Vehicles	5 years

An asset under construction at the financial year end is not depreciated until the asset is brought into service.

1.6 Intangible Non-Current Assets and Amortisation

An intangible asset is an identifiable non-monetary asset without physical substance (for example, software developed in-house, or by third party, software licences, websites that deliver services and development expenditure). Natural England holds various software licences, which were capitalised at purchase cost where this was in excess of capitalization thresholds. Such assets are revalued only where it is possible to obtain a reliable estimate of their market value. They are reviewed annually for any impairment, to ensure they are not carried in the Statement of Financial Position above their recoverable amounts.

Intangible assets are assumed to have a finite useful life. Amortisation is provided on software licences at rates calculated to write off the cost or valuation of each asset evenly on a straight line basis, over its expected finite useful life. The standard write off period is 5 years although alternative lives may be used where relevant information is available to ascribe a more appropriate expected useful life.

1.7 Research and Development

All of our development and research expenditure is written off in the year to the Statement of Comprehensive Net Expenditure.

1.8 Heritage assets

FRS 30 'Heritage Assets' was implemented from 1 April 2010. A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

NNRs are defined as land that is held in support of our strategic outcome to support a healthy natural environment and continue to ensure that our rich biodiversity thrives across the landscape, with ecosystems and habitats resilient to climate change. Although NNRs are open to the public for quiet recreation, they are held principally for their contribution to knowledge and culture. Our NNRs meet the criteria for heritage assets.

Heritage assets can be operational or non-operational. Non-operational heritage assets are those that are held primarily for their contribution to knowledge and culture and are not held for operational purposes, the main example being the NNR land. Operational heritage assets are those which as well as being held for their contribution to knowledge and culture are also used to provide other services. Natural England has one operational heritage asset – Parsonage Down Farm.

Where the NNR land has buildings attached to it, this will generally include visitor and information centres, offices for NNR staff and toilet facilities. These operational 'support' buildings are not classified as heritage assets, and are held generally for administrative purposes. They have therefore been classified as operational assets and have been treated in accordance with IAS 16 as other non-current property, plant and equipment.

Further details around the ownership and management of our NNRs are shown in Note 8.

1.8.1 Valuation

Heritage asset land and buildings are reported in the Statement of Financial Position at fair value, stated at market value. The land will be periodically revalued every five years by our internal valuers. The buildings will be periodically revalued every five years by an external valuer. In between these revaluations, values are updated annually where material, using a combination of indices issued by the Royal Institute of Chartered Surveyors (RICS) and Department of Business and Innovation & Skills (BIS).

Any surplus or deficit on valuation of the NNRs compared to their historic cost is recognised in the Revaluation Reserve, and is reported in the Statement of Other Comprehensive Expenditure and Statement of Changes in Taxpayers' Equity.

In line with FRS 30, the heritage assets were initially valued at 1 April 2010 by internal and external valuers, in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual (the Red Book).

The land element of the NNRs is not depreciated. Buildings are depreciated on a straight line basis over their useful lives, which are deemed to be 50 years, but an alternative life may be ascribed if this is considered more suitable.

Livestock on the reserves is treated in accordance with IAS 41 Agriculture and is separately recognised in the Statement of Financial Position.

1.8.2 Acquisitions

Acquisitions are made by purchase or donation. Purchases are initially recorded at cost and donations are recorded at current value ascertained by Natural England's internal valuers with reference, where possible, to commercial market prices. The values of assets whether purchased or donated are reflected in the Revenue Reserve.

1.9 Agriculture Biological Assets

In line with IAS 41 Agriculture, biological assets are separately recognised in the Statement of Financial Position. The biological assets held by Natural England are the breeding cows and sheep held on NNRs and these are measured at fair value less costs to sell. The fair value of the cattle and sheep is the price for the livestock in the relevant market less transport and other costs of getting the cattle to that market. Biological assets are not depreciated, but revalued at the end of each reporting period, and changes in fair value less costs are included in the Statement of Comprehensive Net Expenditure. Lambs born close to the Statement of Financial Position date are not valued as valuations are unreliable until lambs reach maturity.

1.10 Impairment

The objective of impairment is to ensure that non-current assets are carried at no more than their recoverable amount. The carrying amounts of Natural England's Property, Plant and Equipment, Agricultural Biological Assets, heritage assets and finite life intangible assets are reviewed at each Statement of Financial Position date to establish whether there are any indications of impairment. There are 2 types of impairment;

- those caused by consumption of economic benefits; and
- those from a general fall in prices.

From 2010/11 Natural England adopted HM Treasury's interpretation to IAS 36 (Impairment of assets) which was introduced to align the budgeting and accounting treatment in line with H M Treasury's Clear line of Sight Project which aligned budgeting, estimates and resource accounting across Government.

This interpretation meant that;

- Impairments from a general fall in prices are charged against the Revaluation Reserve where the asset has previously been revalued, with any excess of impairment over revaluation being charged to the Statement of Comprehensive Net Expenditure (no change here as per previous practice).
- All impairments caused by consumption of economic benefits/ loss of economic value will continue to be charged to the Statement of Comprehensive Net Expenditure in full. However any amount in the Revaluation Reserve relating to the impaired asset should be removed from the Revaluation Reserve and credited to the Revenue Reserve. Hence a transfer is made between the Revaluation Reserve and the Revenue Reserve to realign the Revaluation Reserve to IFRS (the interpretation).

1.11 Inventories

Farm stock bred for sale is capitalised and covered above in 1.9 where it is treated as agricultural biological assets. Other farm stock has been valued at cost.

For other stocks Natural England uses the lower of cost and estimated net realisable value.

The stock valuation is adjusted for obsolete stock which is considered to be those stocks with levels of over 12 months' worth of sales remaining and where it is considered unlikely that there will be any future income flow.

1.12 Financial Instruments

Natural England holds few financial instruments, aggregated into classes based on their nature. The majority of these relate to contracts for non-financial items in line with Natural England's expected purchase and usage requirements and is therefore not exposed to considerable credit, liquidity or market risk. The financial instrument classes are described below:

1.12.1 Financial Assets

Trade receivables fall into this category. These are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables do not carry any interest and are recognised and carried at the lower of their original invoiced value or recoverable amount. Provision is made when there is objective evidence that the asset is impaired. Balances are written off to the Statement of Comprehensive Net Expenditure when the probability of recovery is assessed as being remote, or it is uneconomic to do so.

1.12.2 Available Assets for Sale

These are non derivative financial assets that are classed as available for sale on initial recognition or are not categorised in line with any other financial asset classification. They are measured at fair value, with all unrealised gains or losses on disposal recognised in the Statement of Comprehensive Net Expenditure.

1.12.3 Financial Liabilities

These comprise trade and other payables and financial liabilities. They are initially recognised at fair value of consideration received less directly attributable transaction costs. Trade payables are not interest bearing and are stated at their nominal value.

1.12.4 Managing Risk in Financial Instruments

Natural England seeks to eliminate or minimise its exposure to interest rate and exchange rate risk by not making investments other than those described in Note 11 and by making formal agreements with partners as to how shortfalls or surpluses will be covered. Liquidity risk is managed through the management of GIA funding in accordance with the Financial Memorandum.

1.13 Taxation

Natural England is recognised by Her Majesty's Revenue and Customs as a charity for the purpose of Section 505, Income and Corporation Taxes Act 1988. Natural England is a body corporate and is liable to Corporation Tax on any investment income and trading profits.

1.14 Value added Taxation (VAT)

Natural England has charitable status for VAT purposes. Most of the activities of Natural England are outside the scope of VAT and in general output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged, or input tax is recoverable, the amounts are stated net of VAT.

As Natural England makes exempt supplies for VAT it has partially-exempt status. Natural England uses an agreed formula to enable the quarterly calculation of the amount of reclaimable input tax.

Natural England receives GIA from Defra and this has been treated as non-business income for the purposes of VAT.

1.15 Grant in Aid (GIA)

GIA received to support revenue expenditure is treated as a contribution from controlling parties and is credited to the Revenue Reserve. Grants for capital expenditure are also credited to the Revenue Reserve. These are commonly for purchases of land or buildings where they are fully funded by Defra but the asset remains on our balance sheet.

1.16 Grants Receivable

Natural England receives grant funding from the European Union, the Rural Payments Agency and the Forestry Commission. These are accredited to the Statement of Comprehensive Net Expenditure Account.

1.17 Grants Payable

Financial assistance by way of grant may be given to any person or organisation to undertake any activity which Natural England is empowered to undertake, including the purchase of land. Grants are included as expenditure in the obligation to pay the grant. The offer of a grant payment is usually tied to a specific year of account and it is solely at the discretion of Natural England whether an unclaimed grant is carried into the next financial year. Offers of grants towards the employment of staff may be made on a diminishing basis over a three or four year period.

1.18 Income

Operating income relates directly to the operating activities of Natural England.

Income is recognised net of VAT, and includes National Lottery grants, contributions from conservation partners, and income from National Nature Reserves.

1.19 Cash and Cash Equivalents

Natural England uses the Government Banking Service (GBS – see note 15 for further information) for all its accounts and manages them in accordance with H M Treasury’s Banking Stewardship Guidance. The policy is to restrict the holding of cash balances.

1.20 Short Term Investments

Short term investments relate to bequest funds held in a separate Citibank account. These funds are available on immediate terms.

1.21 Treatment of Foreign Exchange Differences

Transactions which are denominated in a foreign currency are translated into sterling at the spot rate. The spot exchange rate is the exchange rate at the date of the transaction. Any gains or losses on exchange are taken to the Statement of Comprehensive Net Expenditure in the year in which they are incurred.

1.22 Employee Benefits

1.22.1 Pension Arrangements

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), full details of which can be found in note 4.4 and the Remuneration Report.

Although the PCSPS is a defined benefit scheme, those covered by the scheme recognise the cost of the elements on a systematic and rational basis over the period during which it benefits from employees’ services, by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

The Chair is entitled to a pension scheme but is prohibited from joining the PCSPS. Individual schemes were set up, described as “by analogy to the PCSPS”. Any ongoing liability arising from this arrangement will be borne by Natural England. The liabilities arising under this arrangement have been accounted for and disclosed in accordance with IAS 19 “Employee Benefits”.

1.22.2 Early Departure Costs

Natural England is required to meet the additional costs of benefits beyond the normal PCSPS benefits in respect of certain qualifying employees who retire early. These benefits conform to the rules of the PCSPS. Natural England bears the costs of these benefits until normal retiring age of the employees retired under the Early Retirement Scheme.

The total pension liability up to normal retiring age, in respect of each employee is charged to the Statement of Comprehensive Net Expenditure, in the year in which the employee takes early retirement and a provision for future pension payments is created. Pensions and related benefits payments to the retired employee are then charged annually against the provision.

1.22.3 Other Employee Benefits

Natural England recognises a liability and expense for all other employee benefits, including unused annual leave, accrued at the Statement of Financial Position date, provided these amounts are material in the context of the overall staff costs. No other material employee benefits were accrued at the Statement of Financial Position date.

1.23 Leases

A finance lease is one which transfers substantially all the risks and rewards of ownership to the lessee. If a leasing arrangement is in force for a substantial period of the useful expected life of the asset, then the lessee is assumed to carry all of the risk. An operating lease is a lease other than a finance lease.

The determination of whether an arrangement is, or contains a lease, is based on the substance of that arrangement. This assessment is based on whether the arrangement is dependent on the use of a specific asset and conveys the right to use the asset. Natural England evaluates contractual arrangements in accordance with the above criteria as laid down in IAS 17.

Both the asset value and liability to pay future rentals under a finance lease are discounted at the interest rate implicit in the lease to derive the present value. Assets obtained under a finance lease are revalued and depreciated over the shorter of the lease term or the expected useful life. Natural England does not have any material finance lease commitments.

All payments arising under operating leases are charged to the Statement of Comprehensive Net Expenditure in the year in which they are incurred.

Where Natural England occupies a property that is leased by Defra, there is a future commitment that is consistent with arrangements containing a lease as defined by IFRIC 4.

1.24 Provisions

Natural England provides for obligations arising from past events where it is probable that it will be required to settle the obligation and a reliable estimate can be made. This is in accordance with IAS 37. Future costs have not been discounted unless they are significant.

1.25 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, Natural England discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Managing Public Money*.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

2 Impending Application of Newly Issued Accounting Standards Not Yet Effective

At the date of authorisation of these financial statements, the following standards relevant to Natural England were issued but not yet effective:

- IAS 1 Presentation of Financial Statements (Other Comprehensive Income);
- IAS 19 Post-Employment Benefits (Pensions);
- IFRS 9 Financial Instruments, Classification and Measurement;
- IFRS 13 Fair Value Measurement.

These standards have not been adopted by Natural England ahead of their implementation date.

3 Analysis of Net Expenditure by Segment

In accordance with IFRS 8 "Operating Segments" Natural England is required to report financial and descriptive information about its operating segments. These are components about which separate financial information is available. Generally, financial information is required to be reported on the same basis as is used internally. For Natural England the Executive Board and Executive Leadership Group evaluate performance regularly at and below operating segments whilst deciding how to allocate resources and monitor outcomes. Each of these operating segments aligns to functions managed by an Executive Director of the Natural England Executive Board and shows the gross budget controlled by each operating segment.

3.1 Statement of Comprehensive Net Expenditure for the year ended 31 March 2013 split by our operating segments

	Operating Segments				Total £000
	People, Landscape & Biodiversity £000	Customers & Land Management £000	Science, Evidence & Advice £000	Corporate Services £000	
Staff Costs	18,038	36,706	19,730	12,031	86,505
Non pay running & other Operating costs	2,109	3,798	2,816	7,308	16,031
Genesis	0	22,497	0	0	22,497
IBM IT Contract	0	0	0	20,240	20,240
Estates & Shared Services	0	0	0	11,234	11,234
Programme & Grant expenditure	22,918	6,601	7,325	3,112	39,956
Depreciation & Impairment	0	0	0	4,380	4,380
Total Expenditure	43,065	69,602	29,871	58,305	200,843
Income	(10,505)	(897)	(1,016)	(1,312)	(13,730)
Net Expenditure	32,560	68,705	28,855	56,993	187,113

Our IBM IT contract and Estates/Shared Services support our activities across the organisation.

3.2 Statement of Comprehensive Net Expenditure for the year ended 31 March 2012 split by our operating segments (restated)

	Operating Segments				Total £000
	People, Landscape & Biodiversity £000	Customers & Land Management £000	Science, Evidence & Advice £000	Corporate Services £000	
Staff Costs	19,386	34,757	16,887	14,346	85,376
Non pay running & other Operating costs	1,062	1,795	1,204	9,156	13,217
Genesis	0	26,171	0	0	26,171
IBM IT Contract	0	0	0	21,750	21,750
Estates & Shared Services	0	0	0	11,372	11,372
Programme & Grant expenditure	22,050	6,801	5,643	2,851	37,345
Depreciation & Impairment	0	0	0	4,195	4,195
Total Expenditure	42,498	69,524	23,734	63,670	199,426
Income	(11,584)	(1,284)	(816)	(3,900)	(17,584)
Net Expenditure	30,914	68,240	22,918	59,770	181,842

Operating segments have changed to 2012/13 compared to 2011/12. For this reason 2011/12 figures have been restated to reflect new structures to aid comparative analysis.

4.1 Staff costs

	2012/13 £000	Restated 2011/12 £000
Permanent staff salaries and allowances		
Chair	73	73
Members	101	250
Staff ^{Note a}	66,413	65,094
	66,587	65,417
Permanent Staff Pension costs ^{Note b}		
Employer Superannuation Payment	11,597	12,764
Partnership pension contributions	89	67
	11,686	12,831
Permanent staff social security costs		
Chair	9	9
Members	5	7
Staff	5,039	4,976
	5,053	4,992
Agency and temporary staff	3,674	1,920
Inward secondees	16	66
Temporary staff social security	76	11
Other staff costs	314	144
	4,080	2,141
Sub total	87,406	85,381
Less recoveries in respect of outward secondments	(613)	(313)
Early retirement and severance costs	(288)	308
Total net costs	86,505	85,376

Notes:

a) In accordance with IAS 19 Employee Benefits, £2.7 m 2012/13 (£2.2 m 2011/12) has been included in staff salaries for annual leave not taken at 31 March 2013. This was the second year of a two year pay freeze.

b) Our permanent staff pension costs for 2011/12 have been restated to show the correct allocation of costs. This did not change the overall total.

4.2 Staff numbers

	2012/13 No.	2011/12 (restated) No. *
The average number of whole-time equivalent persons employed during the year was as follows:		
Permanent staff & Fixed Term Appointments		
Executive/Director	22	23
Manager/Principal Specialist/Adviser	175	172
Team Leader/Senior Specialist/Adviser	501	494
Group Coordinator/Lead Adviser/Specialist	844	837
Adviser/Support Adviser	615	666
	2,157	2,192
Temporary and contract staff		
Executive/Director	0	0
Manager/Principal Specialist/Adviser	1	2
Team Leader/Senior Specialist/Adviser	1	0
Group Coordinator/Lead Adviser/Specialist	11	3
Adviser/Support Adviser	166	94
	179	99
Total	2,336	2,291

Natural England has substantially streamlined its business over the last two years, and thanks to the determination of a huge number of people, progress has been made across the board at a time of widespread economic difficulty. In order to meet the efficiency savings built in the CSR 2010, but continue to deliver the full set of ambitions in our Corporate Plan, Natural England has maintained a flexible workforce. It has achieved this through a combination of reassignment of staff across the organisation to align with our priorities, and the use of fixed term contracts and tight manpower controls.

* We have reclassified our FTA staff numbers in with our permanent staff numbers. These were shown within temporary and contract staff previously.

4.3 Reporting of Civil Service and other compensation schemes – exit packages

Exit package cost band	Total number of exit packages by cost band 2012/13
<£10,000	0 (40)
£10,000 - £25,000	0 (125)
£25,000 - £50,000	0 (111)
£50,000 - £100,000	0 (91)
£100,000 - £150,000	0 (10)
£150,000 - £200,000	0 (3)
Total number of exit packages by type	0 (380)
Total resource cost (£000)	0 (14,064)

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year when contractual agreement is reached. Where Natural England has agreed early retirements, the additional costs are met by Natural England and not by the Civil Service pension scheme. Ill health retirement costs are met by the pension scheme and are not included in the above table.

In early 2011 we announced a voluntary redundancy scheme to achieve some of the savings required following the Comprehensive Spending Review. The exit packages shown above are part of that scheme. Prior year figures are shown in brackets.

There were no compulsory redundancies in either 2012/13 or 2011/12.

4.4 Pension commitments

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme, but Natural England is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2012/13, employer's contributions of £11.6m were payable to the PCSPS (2011/12 £12.8m restated) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary usually reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of benefits accruing during 2012/13 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £89k were paid to one or more of the panel of three appointed stakeholder pension providers (2011/12 £67k (restated)). Employee contributions are age-related and range from 3% to 12.5% of pensionable pay. The Employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable pay. In addition, employers also contribute a further 0.8% of pensionable pay to the PCSPS, to cover the cost of the future provision lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the Statement of Financial Position date were £19k (2011/12 £19k).

The late Sir Martin Doughty (Former Chair) and Poul Christensen CBE (Current Chair) are included in a separate pension scheme set up by Defra which is described as 'by analogy to the main scheme'.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. Natural England staff may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Staff may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5% and 3.9% of pensionable earnings for classic and 3.5% and 5.9% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2013. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial 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. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service Pension arrangements can be found at the website:

www.civilservice.gov.uk/pensions.

4.5 Pension scheme by analogy to the Principal Civil Service Pension Scheme

The late Chair of Natural England's Board, Sir Martin Doughty and the current Chair, Poul Christensen CBE, were prohibited from joining the PCSPS and are included in a separate scheme set up on 1 October 2006 by Defra which is described as "by analogy to the main scheme". This is an unfunded scheme, with benefits being paid as they fall due by the employer. There is no fund, and therefore there is no surplus or deficit.

An actuarial valuation has been carried out by the Government Actuary Department.

The present value of scheme liabilities were:	Value at 31 March 2013 £000	Value at 31 March 2012 £000	Value at 31 March 2011 £000
Active members	109	85	65
Current Pensioners	135	130	129
Total present value of scheme liabilities	244	215	194

The major assumptions used by the actuary were:	2012/13	2011/12	2010/11
Rate of increase in salary	3.95%	4.25%	4.90%
Rate of increase in pension payment and deferred pensions	1.70%	2.00%	2.65%
Rate used to discount scheme liabilities	4.10%	4.85%	5.60%
Inflation assumption	1.70%	2.00%	2.65%

Expenses to be recognised in profit or loss:	£000	£000	£000
Current service cost (net of employee contributions)	15	17	23
Interest on pension liabilities	11	11	9
Past service cost	0	0	(23)
Total expense	26	28	9

Actuarial gains/losses to be recognised in other comprehensive income:	£000	£000	£000
Experience loss/ (gain) arising on the scheme liabilities	(4)	(2)	(5)
Changes in assumptions underlying the present value of the scheme liabilities	9	3	(18)
Net total actuarial loss/ (gain) in other comprehensive income	5	1	(23)

History of experience losses/ (gains):	31 March 2013	31 March 2012	31 March 2011
Experience loss/ (gain) arising on the scheme liabilities			
Amount (£000)	(4)	(2)	(5)
Percentage of scheme liabilities at the end of year	(1.6%)	(0.9%)	(2.3%)

Movement in scheme liabilities during the year:	2012/13 £000	2011/12 £000	2010/11 £000
Scheme liabilities at beginning of the year	215	194	215
Movement in year:			
Current service cost (net of employee contributions)	16	17	23
Employee contributions	4	2	3
Interest cost	11	11	9
Actuarial loss/(gain)	5	1	(23)
Benefits paid	(7)	(10)	(10)
Past service cost	0	0	(23)
Scheme liabilities at end of the year	244	215	194

Estimate of contributions expected to be paid into the scheme over the year 1 April 2013 to 31 March 2014:	£000
Employer contributions	18
Employee contributions	5

5 Expenditure

		2012/13 £000	2011/12 £000
Programme Expenditure (excluding RDPE)		14,498	15,179
Programme Expenditure – Bolton Fell Moss		1,179	808
Programme expenditure – Research & Development		7,120	4,593
Programme expenditure – Other Operating lease rentals		750	767
Grant Expenditure		16,409	15,998
Subtotal – Programme & Grant expenditure		39,956	37,345
Genesis system ¹		22,497	26,171
IBM IT contract recharges		20,240	21,750
Estates recharges from Defra		7,762	7,828
Staff travel and subsistence costs		4,215	3,540
Shared service recharges		3,472	3,544
Consultancy		388	239
IT enhancements		866	485
Staff support costs		2,169	1,483
Information and publicity		624	444
Estates management costs		2,449	2,518
Legal fees		842	1,600
Provision provided for in year: Litigation		0	15
Printing and stationery		187	686
Subscriptions and agents fees		113	141
Vehicle costs		1,041	448
NAO audit fee for the year		130	130
Audit fees for internal audit programme		47	85
Interest charges		1	8
Loss/(Profit) on disposal of Property, Plant & Equipment		1,409	(193)
Other operating costs		1,306	1,588
		69,758	72,510
Non cash items			
Impairments charged to net expenditure	12	190	0
Provision provided for in year: Dilapidations and Onerous Contracts	17.2	244	0
Depreciation	7.1a	2,940	3,601
Amortisation	7.2a	1,250	594
Total non cash items		4,624	4,195
TOTAL OTHER EXPENDITURE		114,338	114,050

¹ The Genesis system is used to manage the RDPE agri-environment schemes.

Notes: The graph on page 39 shows Programme and grant expenditure in terms of our delivery outcomes.

6 Income

	2012/13 £000	2011/12 £000
Income from activities		
Big Lottery Fund (restricted income)	8,068	8,591
Contributions from conservation partners	753	869
Other Programme income	749	1,230
Single Farm Payments	757	695
Contribution from Defra re Bolton Fell Moss	1,021	717
National Lottery Grants	0	7
Income from National Nature Reserves	849	642
Sales of publications	1	1
Advice and other services	0	1
Sub-total income from activities	12,198	12,753
Other income		
Contributions, rents and recharges	1,448	315
Defra contribution for Genesis Improvements	0	3,250
RDPE Technical Assistance Fund	0	243
Walking the way to Health	0	960
Other European Union Receipts	7	0
Legal receipts	69	55
Sub-total other income	1,524	4,823
	13,722	17,576

The Big Lottery Fund income shown above is a restricted fund from the National Lottery used to support the Access to Nature project. The income not applied in 2012/13 carried forward to fund the project from 2013/14 onwards totals £114k (see deferred income included in note 16.1).

The Defra contribution of £3m in 2011/12 was for a distinct project for Genesis improvements. Ongoing improvements to Genesis are treated as business as usual and funding met by our core GIA.

In 2010/11 and 2011/12 Natural England undertook a series of work around the Rural Land Register (RLR) which was funded through the RDPE Technical assistance Fund (TAF). The £243k in 2011/12 represents the final claim for this work.

During 2012/13 there was no income received for the Walking the way to Health project as this ended with Natural England in 2011/12.

7.1a Property, plant and equipment

	Land £000	Buildings £000	Leasehold improvements £000	Plant & machinery £000	Vehicles £000	Furniture & Fittings £000	Information Technology £000	Assets under construction (AUC) £000	Service Concessions Assets £000	Total £000
Gross Cost or valuation:										
Balance 1 April 2012	7,239	2,786	3,727	4,509	4,074	4,716	3,080	0	12,399	42,530
Additions	203	240	(63)	282	506	408	0	359	0	1,935
Service Concession arrangements	0	0	0	0	0	0	0	0	(1,767)	(1,767)
Disposals	0	0	(997)	(119)	(1,407)	(1,070)	(438)	0	0	(4,031)
Revaluation	582	191	178	0	0	0	0	0	0	951
Impairment	(47)	0	0	0	0	0	0	0	0	(47)
At 31 March 2013	7,977	3,217	2,845	4,672	3,173	4,054	2,642	359	10,632	39,571

	Land £000	Buildings £000	Leasehold improvements £000	Plant & machinery £000	Vehicles £000	Furniture & Fittings £000	Information Technology £000	Assets under construction (AUC) £000	Service Concessions Assets £000	Total £000
Depreciation:										
Balance at 1 April 2012	0	168	731	3,553	3,121	1,538	1,664	0	7,855	18,630
Charged in year	0	91	353	290	368	445	605	0	788	2,940
Disposals	0	0	(217)	(119)	(1,313)	(389)	(161)	0	0	(2,199)
Revaluation	0	17	58	0	0	0	0	0	0	75
Impairment	0	0	0	0	0	0	0	0	0	0
At 31 March 2013	0	276	925	3,724	2,176	1,594	2,108	0	8,643	19,446
Written down net values:										
at 31 March 2013	7,977	2,941	1,920	948	997	2,460	534	359	1,989	20,125
At 31 March 2012	7,239	2,618	2,996	956	953	3,178	1,416	0	4,544	23,900
Asset Financing:										
Owned	7,977	2,941	1,920	948	997	2,460	534	359	0	18,136
Service Concession Agreements	0	0	0	0	0	0	0	0	1,989	1,989
Net book value at 31 March 2013	7,977	2,941	1,920	948	997	2,460	534	359	1,989	20,125

All freehold land (except non-operational heritage assets) and buildings is stated at fair value, and is revalued every 5 years by professionally qualified valuers, on the basis of value in use, in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual (the Red Book). This revaluation was carried out during 2010/11 by external valuers, Valuation Office Agency, by their Royal Institute of Chartered Surveyors qualified staff.

In between professional revaluations, values are updated annually where material, using indices. These were taken from the *Property Market Report* issued by the Valuation Office, however these indices are no longer produced. As from 1 April 2013 we have used indices provided by the Royal Institute of Chartered Surveyors (RICS) for land and the Department of Business Skills and Innovation (BIS) for buildings.

Defra has entered into a service concession arrangement with IBM, and Natural England is included within these arrangements. The arrangements aim to support the organisations, by providing a modernised IT infrastructure; in line with the wider government Information and Communications Technology (ICT) Strategy, which will give access to cost effective IT services and infrastructure. All service concession assets are classed as one tangible IT service concession asset.

The contract is for a term of eight years from February 2010. The contract prices are subject to an annual incremental increase, applied from 1 April the start of the financial year. This increase is based on the consumer price index (CPI) as at the end of January in the previous financial year. There are no beneficial entitlements at the end of contract, although Defra and Natural England have the option to purchase specified assets at net book value on exiting the contract.

During the term of the contract, Defra and Natural England have the right to use assets owned by IBM, and IBM are obliged to provide the IT assets for use at a level dictated by performance obligations placed on IBM, and underlying IT product developments commissioned by the Department. Defra and Natural England have an obligation to spend a specified amount of money each year on undertaking IT projects, which is currently set at approximately one third of the amount Defra spends on IT projects annually.

7.1b Property, plant and equipment

	Land £000	Buildings £000	Leasehold improvements £000	Plant & machinery £000	Vehicles £000	Furniture & Fittings £000	Information Technology £000	Assets under construction (AUC) £000	Service Concessions Assets £000	Total £000
Gross Cost or valuation										
Balances at 1 April 2011	6,728	2,615	3,248	4,387	4,423	4,531	2,647	0	17,842	46,421
Reclassifications	0	0	0	0	0	0	0	0	0	0
Additions	0	113	479	222	305	356	457	0	0	1,932
Service concession arrangements	0	0	0	0	0	0	0	0	(5,443)	(5,443)
Disposals	0	0	0	(100)	(654)	(171)	(24)	0	0	(949)
Revaluation	511	58	0	0	0	0	0	0	0	569
Impairment	0	0	0	0	0	0	0	0	0	0
At 31 March 2012	7,239	2,786	3,727	4,509	4,074	4,716	3,080	0	12,399	42,530

	Land £000	Buildings £000	Leasehold improvements £000	Plant & machinery £000	Vehicles £000	Furniture & Fittings £000	Information Technology £000	Assets under construction (AUC) £000	Service Concessions Assets £000	Total £000
Depreciation										
Balances 1 April 2011	0	0	394	3,273	3,386	1,283	1,144	0	6,466	15,946
Charged in year	0	167	337	368	386	422	532	0	1,389	3,601
Disposals	0	0	0	(88)	(651)	(167)	(12)	0	0	(918)
Revaluation	0	1	0	0	0	0	0	0	0	1
Impairment	0	0	0	0	0	0	0	0	0	0
At 31 March 2012	0	168	731	3,553	3,121	1,538	1,664	0	7,855	18,630
Written down net values										
at 31 March 2012	7,239	2,618	2,996	956	953	3,178	1,416	0	4,544	23,900
at 31 March 2011	6,728	2,615	2,854	1,114	1,037	3,248	1,503	0	11,376	30,475
Asset Financing										
Owned	7,239	2,618	2,996	956	953	3,178	1,416	0	0	19,356
Service Concession Agreements	0	0	0	0	0	0	0	0	4,544	4,544
Net book value at 31 March 2012	7,239	2,618	2,996	956	953	3,178	1,416	0	4,544	23,900

7.2a Intangible assets

	Software licences £000	Work in progress (WIP) £000	Total £000
Cost or valuation			
At 1 April 2012	5,551	48	5,599
Additions	2,885	0	2,885
Disposals	(16)	0	(16)
Revaluation	0	0	0
Transfer from WIP	48	(48)	0
At 31 March 2013	8,468	0	8,468
Amortisation			
At 1 April 2012	2,008	0	2,008
Charged in year	1,250	0	1,250
Disposals	(12)	0	(12)
Net revaluation	0	0	0
At 31 March 2013	3,246	0	3,246
Written down values:			
At 31 March 2013	5,222	0	5,222
At 31 March 2012	3,543	48	3,591

7.2b Intangible assets

	Software licences £000	Work in progress (WIP) £000	Total £000
Cost or valuation			
At 1 April 2011	2,994	0	2,994
Additions	2,557	48	2,605
At 31 March 2012	5,551	48	5,599
Amortisation			
At 1 April 2011	1,414	0	1,414
Charged in year	594	0	594
At 31 March 2012	2,008	0	2,008
Written down values			
at 31 March 2012	3,543	48	3,591
at 31 March 2011	1,580	0	1,580

8 Non-current heritage assets

A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. National Nature Reserves (NNRs) fall under this classification and are treated as heritage assets in these financial statements.

NNRs were initially established to protect sensitive features and to provide 'outdoor laboratories' for research. Their purpose has since been widened by the Natural Environment and Rural Communities Act 2006 to include quiet recreation where this doesn't conflict with nature conservation. As well as managing some of our most pristine habitats, our rarest species and our most significant geology, most reserves now offer great opportunities to the public as well as schools and specialist audiences to experience England's natural heritage.

Natural England is the body empowered (under the National Parks and Access to the Countryside Act 1949 and Wildlife and Countryside Act 1981) to declare NNRs in England. 98% by area of NNRs are also designated Sites of Special Scientific Interest (SSSIs).

As at 31 March 2013 there were 224 NNRs in England. Of these, 128 are managed by Natural England, which either owns the freehold [19,570 ha] or holds a lease [29,714 ha] or Nature Reserve Agreement (NRA) on the land [15,389 ha]. 80 NNRs are wholly managed by an external Approved Body and 16 NNRs are managed by both Natural England and one or more Approved Bodies. The value of the NNRs that are not owned by Natural England have not been reflected in these financial statements.

The area of declared NNRs in England is as follows	31 March 2013 Hectares	31 March 2012 Hectares
Land owned by Natural England	19,570	19,571
Land leased by Natural England	29,714	29,714
Land under Nature Reserve Agreements	15,389	15,389
NNRs managed wholly or partly by Approved Bodies	29,691	29,691
	94,364	94,365

The NNRs generally consist of the land itself and then buildings which include machinery stores, workshops and offices for NNR staff. These 'support' buildings are not classified as heritage assets, and for this reason are treated in accordance with IAS 16 as other Non Current property, plant and equipment.

Management, Maintenance, Enhancements & Improvements

In order to fulfil our stewardship role, NNRs are managed and maintained in accordance with management plans, which are approved by senior Natural England staff and which serve as consents under SSSI legislation.

Natural England has an ongoing programme of achieving and maintaining favourable condition of its NNRs, as measured by Common Standards Monitoring. The target condition for Natural England managed NNRs for 2012/13 was 97%. The figure at 31 March 2013 was 98%.

Records

A record of land, buildings and other interests is maintained in the corporate asset register. Natural England's NNR estate is monitored as to its condition on a six year cycle using the Common Standards Monitoring methodology. Species records for individual reserves are routinely kept.

Access and public engagement

Natural England delivers a programme of events and activities on many of its NNRs, aimed at engaging local communities with the natural environment on their doorsteps.

Heritage assets reported at valuation	Non Operational NNR Land £000	Operational NNR Land £000	Total £000
Gross cost at 1 April 2012	56,189	2,943	59,132
Additions	10	0	10
Revaluation	3,118	170	3,288
Impairment	(1,030)	0	(1,030)
At 31 March 2013	58,287	3,113	61,400

In 2012/13 there were 2 additions of land both of which adjoined existing NNR's. There were no disposals. The revaluation of non-operational land included an upward valuation of £3.1m and a downward valuation (impairment) of £1m.

Heritage assets reported at valuation	Non Operational NNR Land £000	Operational NNR Land £000	Total £000
Gross cost at 1 April 2011	54,122	2,700	56,822
Additions	1	0	1
Revaluation	2,066	243	2,309
At 31 March 2012	56,189	2,943	59,132

In 2011/12 there were 2 additions of land, one of which was donated. There were no disposals. The revaluation of non-operational land included an upward valuation of £3,687k and a downward valuation of £1,621k.

9 Agricultural biological assets (Breeding Stock)

The biological assets held by Natural England are the breeding cows and sheep at Parsonage Down Farm, Goss Moor, Salisbury, Aston Rowant, Lullington and Old Winchester/Beacon Hills National Nature Reserves. These are measured at fair value less cost of sale. The fair value of the cattle and sheep is the price for the livestock in the relevant market less transport and other costs of getting the cattle to that market. Biological assets are not depreciated, but revalued at the end of each reporting period, and changes in fair value less cost are charged to the Statement of Comprehensive Net Expenditure. Lambs born close to the Statement of Financial Position date are not valued as valuations are unreliable until lambs reach maturity.

	Breeding cows £000	Pedigree Longhorn cows £000	Ewes & Rams £000	Beulah & Herdwick Sheep £000	Total £000
As at 1 April 2012	43	13	17	22	95
Additions	67	0	6	7	80
Disposals	(4)	(1)	0	(17)	(22)
Revaluations	0	0	(1)	2	1
As at 31 March 2013	106	12	22	14	154
As at 1 April 2011	39	13	16	0	68
Additions	6	6	6	37	55
Disposals	(5)	(6)	(11)	(15)	(37)
Revaluations	3	0	6	0	9
As at 31 March 2012	43	13	17	22	95
Physical quantities of each of the biological assets					
As at 31 March 2013	112	19	236	232	599
As at 1 April 2012	72	21	169	403	665

10 Current assets classified as held for sale

Cost or valuation	31 March 2013 £000	31 March 2012 £000
As at 1 April	0	445
Disposals	0	(445)
As at 31 March	0	0
Depreciation as at 31st March	0	0
Written down values:	0	0

As at 31 March 2013, there were no properties held for sale.

11 Financial instruments

As the cash requirements of Natural England are met through GIA provided by Defra, financial instruments play a more limited role in creating risk than would apply to a non-public sector body.

IAS 39, 32 and IFRS 7 require disclosure of the role which financial instruments have had during the year in creating or changing the risks an entity faces in undertaking its activities. Natural England holds financial instruments only to the extent that they are necessary to meet its normal operational activities.

Natural England has limited powers to borrow or invest surplus funds; financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risk facing Natural England in undertaking its activities. The majority of financial instruments relate to contracts to buy non-financial items in line with the Natural England's expected purchase and usage requirements and Natural England is therefore exposed to little credit, liquidity or market risk. Details explaining the risks and how they are managed are explained below. As permitted by the IFRS, receivables and payables which mature or become payable within 12 months from the Statement of Financial Position date have been omitted from this disclosure note.

Liquidity risk

As the cash requirements of Natural England are met through GIA provided by Defra, Natural England is not exposed to significant liquidity risks.

Interest rate risk

Short term deposits in relation to bequests received earn fixed rates of interest. Otherwise, for project funds held in commercial accounts, floating rates of interest apply. Natural England's financial assets and liabilities are predominately non interest bearing. The interest rate risk is not considered material in the context of the overall activity of Natural England.

Credit risk

Natural England is exposed to credit risk to the extent of non-payment by its counterparties in respect of financial assets receivable. However, Natural England has policies and procedures in place to ensure credit risk is limited by placing credit limits on each counterparty. Natural England continuously monitors counterparty credit limits and defaults of counterparties, incorporating this information into credit risk controls. It is Natural England's policy that all counterparties who wish to trade on credit terms are subject to credit verification procedures.

Foreign currency risk

Natural England has undertaken several foreign currency transactions to convert grant received from European Institutions from Euro to Sterling after discharging any Euro payment obligations to its European partners out of such receipts. Natural England has therefore been exposed to an exchange rate risk between the time that it calculates a grant claim from a sterling cost base until the time that the grant is converted into sterling. The foreign currency risk is not considered material in the context of the overall activity of Natural England.

Financial assets/liabilities

During the year all of Natural England's bank accounts were held in Government Banking Service accounts.

12 Impairment

	2012/13 £000	2011/12 £000
Charge to Statement of Comprehensive Net Expenditure	190	0
Charge to Revaluation Reserve	887	1,621
	1,077	1,621

13 Inventories

	31 March 2013 £000	31 March 2012 £000
Farm stocks	97	86
	97	86

14 Trade receivables and other current assets

14.1 Amounts falling due within one year:

	31 March 2013 £000	31 March 2012 £000
Defra Group receivables & accrued income	3,163	3,331
Other accrued income	450	1,501
Trade receivables	316	276
Other receivables	32	44
Prepayments	605	450
	4,566	5,602

14.2 Amounts falling due after one year:

	31 March 2013 £000	31 March 2012 £000
Housing loans to staff	5	7
	5	7

Housing loans relate to loans inherited from predecessor organisations. Natural England has not continued the practice of giving housing loans to staff at preferential interest rates. As at 31 March 2013, outstanding staff loans of greater than £2.5 k both due within one year and after one year amounted to £5k (£7k at 31 March 2012). The numbers of staff in receipt of loans over £2.5k outstanding at 31 March 2013 were:

	31 March 2013 No. of staff	31 March 2012 No. of staff
£2,500 to £5,000	2	2
£5,001 to £10,000	0	0

No Executive Director had a loan.

14.3 Whole of Government Accounting – Trade receivables and other current assets

Whole of Government Accounting is the production of one set of consolidated accounts covering the whole of the public sector. The Government is treated as if it were one single entity, eliminating all significant transactions between public sector entities.

Natural England is committed to disclose the balances between itself and other bodies within the public sector. The amounts falling due were:

Intra-Government Balances	31 March 2013		31 March 2012	
	Accounts Receivable: amounts falling due within one year £000	Accounts Receivable: amounts falling due after more than one year £000	Accounts Receivable: amounts falling due within one year £000	Accounts Receivable: amounts falling due after more than one year £000
Balances with other central government bodies – Defra Group	3,163	0	3,331	0
Balances with other central government bodies – Other	436	0	1,444	0
Balances with local authorities	114	0	205	0
Balances with bodies external to government	853	5	622	7
Total at 31 March	4,566	5	5,602	7

Note: There were no bad debts or provisions required against the above debts.

15 Cash and cash equivalents

	31 March 2013 £000	31 March 2012 £000
Balance at 1 April	19,451	7,933
Net change in cash and cash equivalent balances	12,777	11,518
Balance at 31 March	32,228	19,451

The following balances at 31 March were held at:

	31 March 2013 £000	31 March 2012 £000
Government Banking Service Accounts	31,852	19,084
Commercial bank accounts	0	0
Short term investments	373	364
Cash in Hand	3	3
Balance at 31 March	32,228	19,451

Treasury guidance for public sector organisations are that balances in commercial accounts should be minimised. All our funds are held within Government Banking Service Accounts.

Short-term investments relate to bequest funds held in a Government Banking Service interest bearing account with Citibank.

Natural England minimises exchange rate risk on European Union funded projects by identifying in the Memorandum of Agreement for each project a mechanism for partners to agree how a shortfall or surplus will be handled. Any shortfall or surplus would be covered in proportion to the partners' contributions to the overall project.

16 Trade payables and other payables

16.1 Amounts falling due within one year:

	31 March 2013 £000	Restated 31 March 2012 £000
Defra Group payables and accruals	22,330	12,591
Other accruals	25,416	24,189
Trade payables	3,318	2,356
Other taxation and social security	1,670	1,640
IBM Right to Use assets	639	998
Big Lottery Access to Nature Deferred income	114	120
Deferred income other	475	377
VAT payables	38	433
	54,000	42,704

The 2011/12 payables have been reanalysed and reclassified accordingly.

The accruals include £2.7 m (£2.2 m 2011/12) in relation to employee benefits – unused annual leave at 31 March 2013 in accordance with IAS 19.

16.2 Amounts falling due after one year:

	31 March 2013 £000	31 March 2012 £000
IBM Right of Use assets	2,256	4,707
Other payables	2,052	2,426
	4,308	7,133

Defra have a contract with IBM for the provision of IT services and infrastructure assets, and Natural England is a party to this contract. This contract was renewed on 1 February 2010. It aims to support Natural England by providing a modernised IT infrastructure; in line with the wider government ICT strategy, which will give the Department access to cost effective IT services and infrastructure.

During the life of the contract, Natural England has the right to use assets owned by IBM and IBM are obliged to provide a consistent level of performance as set out in the contract. This includes underlying IT product developments commissioned by Natural England.

The contract prices are subject to an annual incremental increase, applied from 1 April. This increase is based on the consumer price index (CPI) as at the end of January in the previous financial year.

There is flexibility in terms of termination providing the option to end the service or key aspects thereof. The financial penalty for termination is on a sliding scale depending on several factors, including time left on the contract. There are no beneficial entitlements at the end of contract, although Natural England has the option to purchase specified assets at net book value on exiting the contract. This gives Natural England control of the assets during the life of the contract.

The total future liability to pay for the 'right of use' assets is £2.9 m (2011/12 £5.7 m), of which the current liability (included within note 16.1 above, and 19.3) is £0.7 m (2011/12 £1 m), the non-current liability (included within note 16.2 above, and 19.3) is £2.3 m (2011/12 £4.7 m).

16.3 Whole of Government Accounting – Trade payables and other current liabilities

Whole of Government Accounting is the production of one set of consolidated accounts covering the whole of the public sector. The Government is treated as if it were one single entity, eliminating all significant transactions between public sector entities.

Natural England is committed to disclosing the balances between itself and other bodies within the public sector. The amounts falling due were:

Intra-Government Balances	Restated 31 March 2013		Restated 31 March 2012	
	Accounts Payable: amounts falling due within one year £000	Accounts Payable: amounts falling due after more than one year £000	Accounts Payable: amounts falling due within one year £000	Accounts Payable: amounts falling due after more than one year £000
Balances with other central government bodies – Defra	22,969	2,256	13,589	4,707
Balances with other central government bodies – Other	2,113	0	3,415	0
Balances with local authorities	5,166	0	2,748	0
Balances with NHS Bodies	0	0	79	0
Balances with public corporations	183	0	0	0
Balances with bodies external to government	23,569	2,052	22,873	2,426
Total at 31 March	54,000	4,308	42,704	7,133

The classification of accounts payable falling due after more than one year have been corrected in 2011/12.

17 Provisions for liabilities and charges

17.1 Pension provision

	Balance at 1 April 2012 £000	Provided in the year £000	Provisions utilised in the year £000	Provisions not required written back £000	Balance at 31 March 2013 £000
Pensions by analogy	215	35	(6)	0	244
	215	35	(6)	0	244

	Not later than one year £000	Later than one year and not later than five years £000	Later than five years £000	Balance at 31 March 2013 £000
Pensions by analogy	6	24	214	244
	6	24	214	244

The provision for pension costs represents future liabilities under separate pension schemes described as “by analogy to the main scheme” which have been set up by Defra for the late Sir Martin Doughty, (Former Chair) and Poul Christensen CBE (Current Chair). See note 4.5.

17.2 Other provisions

	Balance at 1 April 2012 £000	Provided in the year £000	Provisions utilised in the year £000	Provisions not required written back £000	Balance at 31 March 2013 £000
Dilapidations and onerous contracts	1,897	244	(86)	(360)	1,695
Retirement & severance	2,941	0	(1,681)	(188)	1,072
Litigation	265	0	0	(125)	140
	5,103	244	(1,767)	(673)	2,907

	Not later than one year £000	Later than one year and not later than five years £000	Later than five years £000	Balance at 31 March 2013 £000
Dilapidations and onerous contracts	1,214	481	0	1,695
Litigation	140	0	0	140
Early retirement & severance	444	581	47	1,072
	1,798	1,062	47	2,907

The dilapidations and onerous contracts provision represents future payments Natural England expects to incur as a result of terminating our occupancy of a number of buildings under the Estates Efficiency Programme.

The early retirement and severance provision represents the liability for severance and pension payments relating principally to the 2011 Voluntary Early Retirement and Severance programme which is part of Natural England adopting a new business model from April 2011 requiring 400 fewer staff. Pension payments cover the period from the date of early retirement until normal retirement age.

The litigation provision represents management's estimate of likely legal costs and claims from existing cases against Natural England.

18 Capital Commitments

Contracted capital commitments at 31 March 2013 not otherwise included in these financial statements are as follows;

Obligations under operating leases comprise:	31 March 2013 £000	31 March 2012 £000
Property, plant and equipment	250	0
Intangible assets	939	0

19 Commitments under leases

19.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below, for each of the following periods;

Obligations under operating leases comprise:	31 March 2013 £000	31 March 2012 £000
Land		
Not later than one year	479	475
Later than one year and not later than five years	1,806	1,837
Later than five years	2,986	3,493
	5,271	5,805

Buildings		
Not later than one year	55	96
Later than one year and not later than five years	202	268
Later than five years	668	670
	925	1,034

19.2 Defra properties occupied by Natural England

Natural England does not hold the freehold of the office buildings which it occupies; they are owned by either a government department or agency and are subject to a Memorandum of Terms of Understanding (MOTU). As these Government departments and agencies including Defra and Natural England are all Crown bodies and therefore part of a single legal entity it is not legally possible for one part of the Crown to take action against another part. As no legal action is possible between Crown bodies, other non-legal structures have been developed to define how Crown bodies interact with each other. In terms of property management, the alternative structures have taken the form of MOTOs & MOTUs. Memorandum of Terms of Occupancy (MOTOs) are part of the Civil Estate Occupancy Agreement for Crown Bodies (CEOA) guidance produced by the Office of Government Commerce. A MOTO establishes a set of expectations between parties around the movement of economic benefit to pay for the use of assets over a defined period of time. The payment liabilities cannot be enforced by legal means if a dispute arises, but dispute procedures

are included in the CEOA. As an NDPB Natural England does not fall under the terms of the CEOA, a MOTU operates within the 'spirit' of the CEOA/MOTO, but varies slightly as Natural England's arrangements are directly with Defra. Defra take the MOTO on Natural England's behalf and the mutually agreed terms are then outlined in the MOTU. Where a dispute cannot be resolved through the normal chain structures, the final arbiters will be the relevant Ministers.

Although MOTOs & MOTUs are not a legal lease arrangement, the commercial reality under IFRIC 4 is that these arrangements are consistent with a lease and as a going concern Natural England should reflect the underlying commitment to cover rental payments and the need for on-going provision of accommodation for the duration of the terms of the MOTU arrangement. Natural England occupies 26 properties subject to MOTU arrangements, with a prescribed average term of length of three years.

Within the Statement of Comprehensive Net Expenditure the full cost of occupation is reflected in relation to buildings that are either owned or leased by Defra. The costs are proportionate to occupation and include rates, utilities, management overheads, facilities management and associated capital charges. For Defra leasehold properties this also includes rental costs. The estimated value of non-specialised freehold property owned by Defra but occupied by Natural England is £1.4m (£1.6 m 2011/12).

The below disclosure shows costs in proportion to the occupation by Natural England of Defra leasehold properties. These arrangements between Natural England and Defra reflect a future commitment to reimburse Defra for the underlying rentals paid to landlords for the provision of the leasehold accommodation.

Future obligations under MOTU agreements comprise:	31 March 2013 £000	31 March 2012 £000
Buildings		
Not later than one year	2,140	2,597
Later than one year and not later than five years	5,656	5,261
Later than five years	4,298	4,350
	12,094	12,208
Land		
Not later than one year	1	1
Later than one year and not later than five years	3	3
Later than five years	36	36
	40	40

19.3 Obligations under service concession arrangements (Right of use assets)

The commitments are consistent with arrangements containing a lease as defined by IFRIC 12.

Obligations for the following periods comprise:	31 March 2013 £000	31 March 2012 £000
Rentals due within one year	685	1,079
Rentals due within two to five years	2,860	4,769
Rentals due thereafter	0	1,400
	3,545	7,248
Less interest element	(650)	(1,543)
Present value of obligations	2,895	5,705

Present value of obligations for the following periods comprise:	31 March 2013 £000	31 March 2012 £000
Rentals due within one year	639	998
Rentals due within two to five years	2,256	3,829
Rentals due thereafter	0	878
	2,895	5,705

19.4 Finance leases

Natural England does not currently have any finance leases in place.

20 Commitments under Private Finance Initiative (PFI) contracts

20.1 Off-balance sheet

An off-balance sheet PFI contract was signed by Defra in February 2001. The scheme involved the grant of a 129 year ground lease to a PFI partner who constructed an office building for Defra, occupied in 2003, subject to a 30 year lease to 31 March 2033, to be reviewed in February 2031. The building is not an asset of the Department and will not revert to Defra at the end of the lease term. The freehold land subject to the ground lease is a Defra asset. Defra occupies 1.9% of the building and recharges other occupiers for their share of the costs. To ensure consistency across the Defra family, Natural England are disclosing this asset as a PFI commitment as Natural England occupy 19.7% (24.7% 2011/12) of the site.

The total share of the payments to which Natural England is committed comprises:

	31 March 2013 £000	31 March 2012 £000
Rentals due within one year	971	1,103
Rentals due within two to five years	3,994	4,946
Rentals due thereafter	19,792	26,031
Present value of obligations	24,757	32,080

20.2 Charge to the Statement of Comprehensive Net Expenditure and future commitments

The total amount charged to the Statement of Comprehensive Net Expenditure in respect of off-balance sheet PFI transactions was £1.0 m (£1.1 m 2011/12).

21 Other financial commitments

Natural England has non-cancellable contracts in relation to estates facilities management (FM) costs (Interserve contract) due to occupation of property and in relation to Business Continuity Planning. The payments are consistent with arrangements containing a lease as defined by IFRIC 4. The commitment for the Interserve FM contract is likely to reduce as the size of the Estate reduces through rationalisation.

	31 March 2013 £000	31 March 2012 £000
Not later than one year	1,950	835
Later than one year and not later than five years	5,052	3,193
Later than five years	7,578	5,588
Present value of obligations	14,580	9,616

Natural England also has non-cancellable contracts in relation to IBM other than the right of use of assets (under IFRIC 12). These reflect the service element of the contract.

These payments combined are as follows:

	31 March 2013 £000	31 March 2012 £000
Not later than one year	19,368	16,360
Later than one year and not later than five years	72,066	61,721
Later than five years	0	12,159
Present value of obligations	91,434	90,240

22 Capital Reserve

This reserve, established in 2009/10 under IFRS requirements, is effectively synonymous with the value of net assets. Movements in the Capital Reserve year on year represent all the changes which have an impact on non-current assets, assets classified as held for sale, and the Revaluation Reserve.

		2012/13 £000	2011/12 £000
Balance at 1 April		35,203	40,245
Additions		4,910	4,613
Disposals		(1,858)	(512)
Revaluations & Impairments (incl IFRIC 12 adj)		1,321	(2,555)
Depreciation		(4,190)	(4,128)
In year Revaluation Reserve movements		(3,117)	(2,460)
Balance at 31 March		32,269	35,203

23 Revaluation Reserve

		2012/13 £000	2011/12 £000
Balance at 1 April		51,515	49,055
Net Revaluations and impairments in year		3,280	2,877
Transfer to Revenue Reserve		(163)	(417)
Balance at 31 March		54,632	51,515

The balance on the reserve is split in relation to the assets as follows:

		2012/13 £000	2011/12 £000
Tangible current assets		54,632	51,515
Intangible current assets		0	0
Balance at 31 March		54,632	51,515

24 Revenue Reserve

	2012/13 £000	2011/12 £000
Balance at 1 April	(30,009)	(55,430)
Grant in Aid Received		
Core Funding – Natural England	179,242	194,200
Catchment Sensitive Farming (CSF)	6,158	4,238
Water Framework Directive (WFD)	3,270	2,997
Bovine TB (BTB)	286	264
Defra capital contribution	203	0
Grant In Aid Received in year	189,159	201,699
Accrued and receivable Grant in Aid		
Bovine TB (BTB)	310	0
Total Grant In Aid Received in year	189,469	201,699
Grant in aid can be analysed into its constituent parts are follows:		
Revenue	184,559	197,461
Capital	4,910	4,238
Total Grant In Aid credited to reserves	189,469	201,699
Other Revenue Movements		
Increase in bequests reserve	(7)	81
Net expenditure for the financial year	(187,113)	(181,842)
Fixed Asset related		
Non-current asset movements	2,894	5,066
Transfer from Revaluation Reserve	203	417
Balance as at 31 March	(24,563)	(30,009)

25.1 Contingent liabilities disclosed under IAS 37

Natural England has the following contingent liabilities;

	As at 31 March 2013 £000	As at 31 March 2012 £000
Claims and Litigation	20	0

Natural England is involved in certain claims and litigation relating to its core purpose. In the opinion of management the liabilities, if any, arising from these claims and litigation will not have a material impact on the financial position or results.

25.2 Contingent assets disclosed under IAS 37

Natural England has entered into a management and purchase agreement with a private company relating to land at Bolton Fell Moss, Cumbria. Under the agreement signed in March 2010 the company has agreed to phase out peat extraction from the site by November 2013. Once peat extraction is complete the ownership will transfer to Natural England and the land will be included in the Statement of Financial Position.

26 Losses, special payments and gifts

During the year Natural England had losses, special payments and gifts totalling;

	2012/13		2011/12	
	£000	Number	£000	Number
Losses/ Write offs	47	125	56	83
Special Payments	1	3	6	3
Gifts	0	5	1	10
	48	133	63	96

The most significant movement year on year within the losses figure in 2012, was the increase in losses of accountable stores from 58 to 94. The value between years however diminished from £40k in 2011/12 to £11k in 2012/13. These were mainly loss of mobile phones, office equipment and damage/loss of equipment on our National Nature Reserves.

All payments were approved in line with the Financial Scheme of Delegation.

27 Events after the Reporting Date

There were no events after the reporting date. These accounts were authorised for issue on 3 July 2013.

28 Related party transactions

Natural England is an Arms Length Non-Departmental Public Body sponsored by Defra, which is regarded as a related party. During the year Natural England has carried out a number of material transactions with Defra in the normal course of business. In addition, Natural England had various material transactions with the following Government bodies: Environment Agency, Royal Botanic Gardens, Kew, Joint Nature Conservation Committee and the Rural Payments Agency.

During the year Natural England, in the normal course of its business, entered into material transactions with the following organisations in which Board Members, members of the key management staff or other related parties have an interest. Our senior staff and management however have no involvement in the transactions with these related parties.

Corporate related body	Member / Senior staff	Total payments made £000	Total income received £000	Amount owed by Natural England at 31/03/13 £000	Amount owed to Natural England at 31/03/13 £000	Nature of transaction
Joint Nature Conservation Committee (JNCC)	Poul Christensen	252	9	9	9	Goods and services
	David Hill					
Surrey Wildlife Trust	Doug Hulyer	23	1	0	0	Goods and services
Woodchester Mansion Trust	Doug Hulyer	15	0	0	0	Goods and services
North York Moors National Park	Andy Wilson	94	9	0	0	Goods and services
Marine Management Organisation	Nigel Reader	0	22	0	0	Goods and services

Note a: In regard to the above staff and Members, no amounts have been written off or had provisions set up in preparation of non-payment.

Note b: No disclosure is made in respect of Environmental Stewardship agreements that staff or their partners have interests in. This is because the payments are made through the Rural Payments Agency and do not form part of Natural England's accounts. Where identifiable from details obtained from staff it is estimated that payments made in respect of Environmental Stewardship agreements to either staff or their related parties totalled approximately £152k (£141k in 2011/12). Controls exist to ensure staff are unable to authorise their own Environmental Stewardship agreements.

Board Members

Mr Poul Christensen (Chair) CBE

Date appointed: December 2006

Date appointed as Chair: 3 December 2009

Appointed until: 31 December 2013

Poul was appointed Chair of Natural England on 3 December 2009. He was Deputy Chair of Natural England from 2006 and served as Acting Chair following the death of Sir Martin Doughty in March 2009.

He is a director of a successful family dairy farming business at Kingston Hill Farm, in Oxfordshire. He has a long track record of integrating conservation with the demands of modern farming.

Throughout his career Poul has taken a prominent role leading the farming sector through changing and challenging times. He is the joint founder of the Tenant Farmers' Association, established in 1981 to provide a voice for tenant farmers. He was previously Chairman of Milk Marque in the late 1990s, steering the dairy sector through a period of significant change, Chair of the Rural Development Service until 2006, overseeing the launch of modern Environmental Stewardship schemes, and a member of the Defra Management Board before taking up the appointment of Chair at Natural England.

He is currently a Director of Agricultural Central Trading Limited, a farmer supply cooperative and is a Board member of the UK's Joint Nature Conservation Committee. Poul was elected as President Elect of the National Federation Of Young Farmers' Clubs, in April 2012, and in the same month was advanced as a Fellow of the Royal Agricultural Societies (FRAGS). He received the Commander of the Order of the British Empire in the Queen's Birthday Honours List in 1991 for services to agriculture and the commercial development of the Agricultural Development Advisory Service (ADAS).

Professor David Hill

Date appointed: 2 May 2006

Appointed until: 30 June 2013

David was appointed Deputy Chair in February 2011. His responsibilities include: Northumberland and Yorkshire Dales National Parks, Joint Nature Conservation Committee (as Board member), Natural England's Science Advisory Committee and Audit and Risk Committee, and the Natural England, Environment Agency and Forestry Commission Joint Sub-group.

David has significant experience in consultancy, nature conservation and company business strategy. He runs an ecological consultancy company, is Chairman of The Environment Bank Ltd and was previously Chief Scientific Adviser to RPS Group plc. Over the past three years he has been actively involved in promoting environmental markets to provide new and innovative ways of mitigating for impacts on ecosystem services arising from development, industry and corporate businesses.

David is a Fellow and past President of the Institute of Ecology and Environmental Management. He has published extensively on ecological issues over the past 25 years.

David is a member of the RSPB, BTO, Norfolk Wildlife Trust and a life member of the National Trust.

Ms Catherine Graham-Harrison OBE

Date Appointed: 1 January 2009

Appointed until: 31 December 2014

Responsibilities from 30 September 2011 include: Protected Landscapes, with special responsibility for the South Downs and New Forest National Parks, and transport and development. Member of the Audit and Risk Committee until 30 September 2011.

Until 2011, Catherine worked as a Management Consultant, mainly in the not for profit sector, focusing on philanthropy, strategic planning, governance and organisational development. Prior to that, she was a Vice President of Citibank and then Chief Executive of the Paul Hamlyn Foundation. She has held a large number of non executive positions over the past 20 years including being on the board of the Heritage Lottery Fund and a trustee of the Joseph Rowntree Foundation.

Catherine has been Chair of the National Forest Company since April 2011 and was appointed Chair of the National Trust Architecture Panel with effect from 1 February 2011.

William Cockbain

Date Appointed: 1 October 2011

Appointed until: 30 September 2014

Responsibilities from 1 October 2011 include: land management, agriculture and the uplands, Lake District, Peak District and North York Moors National Parks.

William Cockbain farms a large hill farm in the Lake District as part of a family partnership. He was NFU National Uplands spokesman from 2004 until March 2012 when he stood down after 8 years.

In 2006 he was appointed as Defra's North West Sustainable Food and Farming Champion, a position held until the end of March 2011. He chairs the new Rural and Farming Networks, for Cumbria, North and East Lancashire, and was made an Associate of the Royal Agricultural Societies for England, Scotland, Wales and Northern Ireland in 2008 for services to hill farming.

Dr Joe Horwood

Date appointed: 1 October 2009

Appointed until: 30 September 2015

Responsibilities include: Lead Board member for marine and the Broads Authority. Member of the Audit and Risk Committee (until 30 September 2011), Natural England Science Advisory Committee, Marine Protected Areas sub-group on the Joint Nature Conservation Committee and the Natural England, Environment Agency and Forestry Commission Joint Sub-group

Joe Horwood has a background in mathematics and zoology applied in marine ecology and resource management. Former Chief Science Adviser at the Centre for Environment, Fisheries and Aquaculture Science (CEFAS), but retaining a role as Non-Executive Director and Chair of CEFAS' Science Advisory Committee. He has been a member of the Board of the International Council for Exploration of the Sea (ICES) since 1998 and was President of ICES from 2006 to 2009. He was also on the Board of the Marine Biological Association from 1998 to 2001.

He has served on the science advisory committees of the International Whaling Commission, ICES and the EC, and on the UK's Marine Science Co-ordination Committee. He is a Fellow of the Royal Statistical Society, and of the Institute of Mathematics and its Applications, and a member of the British Ecological Society, the Challenger Society and the Suffolk Wildlife Trust. He has published on a variety of marine issues including whales, fisheries and marine protected areas.

Mr Doug Hulyer – Communications, Learning and Ecotourism

Dates appointed: 2 May 2006

Appointed until: 31 May 2014

Responsibilities include: Exmoor and Dartmoor National Parks, access and engagement, management for biodiversity, and climate change adaptation. Member of the Natural England, Environment Agency and Forestry Commission joint sub-group.

Doug is an independent adviser for the heritage and natural environment sector. He was previously the Director of Conservation, Programmes and Developments for the Wildfowl & Wetlands Trust, and prior to moving to Slimbridge in 1984, one of the first Education Officers in the Wildlife Trust network.

Doug is a committed environmentalist, environmental educator and conservationist with over 30 year's professional experience. He is a Trustee of the National Heritage Memorial Fund/Heritage Lottery Fund, a member of HLF's South West Committee, and Chair of the NHMF Audit Committee.

Doug is currently Vice-President of the Surrey Wildlife Trust, a member of the Learning & Visitor Experience Panel of the National Trust, a member of The Great Fen Project Foundation, and a Fellow of the Society of Biology.

He also holds memberships in Gloucestershire Wildlife Trust, English Heritage, Wildfowl & Wetland Trust, The National Trust, Freshwater Biological Association, and the Institute of Directors, The Chartered Institute of Water and Environmental Management and the National Trust.

In June 2008, Doug ceased his position as Chairman of the Wetland Vision project. He was a Council Member for English Nature between 2002-2006, before taking up the appointment of Board Member for Natural England.

Professor David Macdonald – Mammal Biologist

Dates appointed: 2 May 2006

Appointed until: 30 September 2014

Responsibilities include: Chair of Natural England's Science Advisory Committee and biodiversity (land use issues).

David is the Professor of Wildlife Conservation and the Director (and founder) of the Wildlife Conservation Research Unit, Zoology Department at Oxford University. He is also Chairman of the Darwin Advisory Committee, Defra and Chairman of Earthwatch UK.

David was awarded the 2004 Dawkins Prize for contributions to wildlife conservation. In 2006 he was awarded the Merriam Medal for outstanding contributions to mammalian research by the American Society of Mammalogists and in 2007 he was awarded the equivalent medal of Britain's Mammal Society and in 2010 the Zoological Society of London's Silver Medal. In 2008, he was elected a Fellow of the Royal Society of Edinburgh. In 2010 he was appointed Commander of the British Empire for services to Natural Science.

He is also Senior Research Fellow of Lady Margaret Hall, a Board Member of the World Wildlife Fund.

David was a Council Member for English Nature from 2003-2006, before taking up the appointment of Board Member for Natural England.

Mr Nigel Reader CBE

Appointed: 1 June 2011

Appointed until: 31 May 2014

Responsibilities include: Chair of Natural England's Audit and Risk Committee from 1 October 2011.

Nigel is a member of the Chartered Institute of Management Accountants and has held a number of senior financial positions, including as Director of Finance for the National Rivers Authority and the Environment Agency. He has been a member of HM Treasury's Financial Reporting and Advisory Board and a member of the Prince of Wales' Accounting for Sustainability Advisory Group.

He served as a member of the board of trustees of the international development charity WaterAid from 1999 until 2011. He is currently a board member of the Marine Management Organisation and of Natural Resources Wales and chair of the Audit & Risk Committees of both organisations. He was made a Commander of the Order of the British Empire in the New Years Honours list in 2003 for services to the environment.

Mr Andy Wilson

Date Appointed: 1 January 2009

Appointed until: 31 December 2014

Responsibilities include: Member of Audit and Risk Committee from 1 October 2011; and climate change mitigation (renewable forms of energy).

Andy Wilson has been Chief Executive of the North York Moors National Park Authority since March 2000 during which time the Authority has won a series of awards for customer service, training and work on climate change. Prior to that, he worked for seven years at the Northumberland National Park. Earlier in his career he worked for the Council for the Protection of Rural England (CPRE) and the Royal Society for the Protection of Birds (RSPB).

Andy is a member of the RSPB, and was a member of the Yorkshire and Humber Assembly Sustainable Development Board until April 2009.

Annex 1

The Sustainability and Environmental Report

Introduction

Sustainability is central to the way that Natural England delivers its business. For the past five years we have invested in both our workforce and our estate to improve our environmental performance, supporting our staff in achieving a better work-life balance and making financial savings. We have built our credibility by achieving and maintaining our target of a 50% carbon reduction on our 2007 baseline and demonstrating that, with the right investment and leadership, we can achieve substantial and wide-ranging benefits.

Summary of Performance

We have promoted our status as an exemplar organisation in demonstrating how to reduce carbon emissions through a combination of technological and behavioural solutions. This has primarily focused on working within the 50% carbon footprint we achieved at the end of 2010, further enhancing our carbon footprinting and reporting systems.

We are currently accredited to the Carbon Trust Standard and have implemented all the recommendations from an external audit carried out by PWC on our approach to carbon monitoring and reporting. This has required an update to our own domestic carbon standards that set out the requirements to manage and reduce our carbon emissions in the delivery of Natural England's business. These not only set out our methodologies and reporting processes, but also explain why we work in certain ways and the expectations on our staff to work more sustainably (e.g. through making sustainable travel choices, using our travel hierarchy document, and "switching off").

In 2012/13 we continued to maintain our travel carbon budget system across each of Natural England's functional teams, with carbon allocations aligned to financial budgets. These were reported on a routine basis across the organisation, firmly embedding travel minimisation and low carbon travel choices as "business as usual" ways of working and providing visibility for our corporate sustainability work.

Since 2011/12, Natural England has been required to report on the Greening Government Commitments (GGC). These consist of a range of targets around our environmental performance, including those reported here. We are working closely with Defra, our parent department and our landlord across the majority of the estate. Our performance for 2012/13 was excellent, with us meeting, or exceeding, each of our GGC targets.

To date, the organisation has made excellent progress in delivering our ambitious carbon reduction targets and moving forwards into 2013/14, Natural England continues to be committed to sustainable ways of working.

We will continue to focus on the Government wide Greening Government Commitment (GGC) targets and building on our achievements by ensuring the culture and behaviors we have adopted and associated with carbon and sustainable ways of working remain embedded in our daily work.

Our performance summary for 2012/13:

Area	Actual Performance	Target Performance (where applicable)
Carbon dioxide emissions ¹	2876 tCO ₂	3468 tCO ₂
Total waste ³	63 tonnes	73.73 tonnes
Water consumption ³	5053 m ³	A reduction from our baseline (9302 m ³)
Carbon Reduction Commitment (CRC) related expenditure ²	£9944	
Total energy consumption ³	4,447,003 kWh	
Buildings energy consumption ³	4,447,003 kWh	
Total energy consumption	£277k	
Residual office waste ³	15 tonnes	
Total waste expenditure ⁴	Not applicable	
Water Expenditure ³	£68k	

- 1** Based on travel data Apr 12 – Mar 13 and estates energy consumption data Mar 12 – Feb 13
- 2** Natural England does not meet thresholds required to participate in the CRC, although we do occupy buildings where our landlords do. These costs are based on recharges for the relevant financial year
- 3** Based on data Dec 11 – Nov 12, including a mixture of billed data and modelled data for the portion of our estate where bills aren't received (e.g. where energy cost are wrapped up in wider recharges.)
- 4** Waste management on the Natural England estate is undertaken through our landlords and their contractors. It is not possible to disaggregate the expenditure on waste management from that provided for other tenants in our shared offices

Sustainability Performance Report for 2012/13

Greenhouse Gas Emissions		2012/13	2011/12	2010/11
Non-Financial Indicators (tCO₂e)	Total Gross Emissions for Scopes 1 & 2	1777 ¹	2,343	3,076
	Total Net Emissions for Scopes 1 & 2	2142 ¹	2,343	3,076
	Gross emissions attributable to Scope 3 official business travel	1099 ²	1071	1038
Related Energy Consumption (KWh)	Electricity; Non Renewable	1,776,485	2,175,222	3,544,222
	Electricity: Renewable ³	0	0	0
	Gas	2,670,518	3,206,027	4,458,377
	LPG	0	0	0
	Other	0	0	105,844
Financial Indicators (£k)	Expenditure on Energy	£277k	£248k	£405k
	CRC License Expenditure ⁴	£9944	£9192	0
	CRC Income from Recycling payments ⁴	0	0	0
	Expenditure on accredited offsets	0	0	0
	Expenditure on official business travel	£2.82m ⁵	£2.66m	£2.46m

1 Based on estates energy data Mar 12 – Feb 13 and travel data April 12 – Mar 13

2 Based on travel data April 12 – Mar 13

3 Our electricity is procured through the OGC framework over which the proportion of renewable energy varies over time. Therefore it is not possible to provide a reliable figure for renewable energy consumption.

4 Natural England does not meet the thresholds required to participate in the CRC but we are recharged by our landlords

5 Based on travel data April 12 – Mar 13

PERFORMANCE COMMENTARY (INCL TARGETS)

Natural England achieved its target to reduce the carbon emission associated with energy consumption on the estate and business travel by 50% by the end of 2010, a saving which has been maintained and evidenced during 2011/12 and 2012/13. The energy performance across our estate has continued to improve. New organisational targets and a more dispersed workforce have increased travel emissions, but within comfortable levels – and well within our Greening Government Commitments threshold.

CONTROLLABLE IMPACTS COMMENTARY

The main direct impacts for us in terms of carbon emissions are from our operational electricity and gas consumption and road, air and public transport mileage. Existing strategies, standards and policies are in place to reduce, monitor, measure and control these direct impacts.

OVERVIEW OF INFLUENCED IMPACTS

Natural England is able to influence the emissions of its supply chain significantly through procurement specifications and through sharing our approach with other organisations. We have, for example, established a contract with Enterprise for the supply of lower emission hire cars.

	Waste	2012/13 ¹	2011/12	2010/11	
Non-Financial Indicators (tonnes)	Total waste arising	63	90.0	76.5	
	Hazardous waste	0.1	0.5	1.5	
	Non hazardous	Landfill	14.9	17	26.8
		Reused/ Recycled	46.2	68.6	41.3
		Waste composted	0.1	0.3	
		Incinerated with energy recovery	1.6	1.8	
		Incinerated without energy recovery	0.1	1.8	6.9
Financial Indicators (£k)	Total disposal cost ²	Not Monitored	Not Monitored	Not Monitored	
	Hazardous waste – disposal costs ²	Not Monitored	Not Monitored	Not Monitored	
	Non hazardous – disposal cost	Landfill ²	Not Monitored	Not Monitored	Not Monitored
		Reused/ Recycled ²	Not Monitored	Not Monitored	Not Monitored
		Incinerated ²	Not Monitored	Not Monitored	Not Monitored

1 Data for period Oct 2011 – Sep 2012

2 Waste management data is supplied via our landlord and their waste management provider. It is not possible to disaggregate financial costs of waste management from that provided for other tenants in shared buildings.

PERFORMANCE COMMENTARY (INCL TARGETS)

Defra supply data on a quarterly basis. This is the second year we are able to disaggregate composted waste from recycled/reused waste and report incinerated waste with and without energy recovery. All figures are in tonnes and cover 21 offices. Where data is available for multi-occupancy sites, figures are calculated on % occupancy basis. Information is not available where landlords are responsible for waste and recycling activities.

Under the Greening Government Commitments we have a draft baseline of 98.3 tonnes of waste and a target to reduce this by 25% to 73.73 tonnes by the end of 2014/15. We currently recycle/reuse over 73% of our waste.

CONTROLLABLE IMPACTS COMMENTARY

The main type of waste for Natural England is general office waste. The levels of recycling this waste is controlled through the provision of waste recycling facilities in each office and awareness raising by our staff. Facilities vary across our estate, but the majority of waste at each site is able to be recycled.

OVERVIEW OF INFLUENCED IMPACTS

We have worked closely with our landlord, Defra, and facilities management provider, Interserve, to improve waste management and recycling services across our estate, including better guidance and signage and the introduction of slim line bins.

Finite Resource consumption - Water			2012/13 ¹	2011/12	2010/11
Non-Financial Indicators	Water consumption (M ³)	Supplied	5053	6,424 ²	9,302
		Abstracted	0	0	0
Financial Indicators (£k)	Water supply costs		£68k	£54k	£37k

- 1 Data from October 2011 – September 2012, based on total consumption apportioned to the total floor space we occupy. This is different to 2010/11 which reports on total consumption of the buildings we occupy.
- 2 Data for 2011/12 has been updated since the previous Annual Report publication in the light of new data.

PERFORMANCE COMMENTARY (INCL TARGETS)

This is the second year we have been monitoring our water consumption across our estate on an occupancy basis and have established a baseline of 8050.49m³ for 2009/10 against which we will measure our Greening Government Commitment target of reducing water consumption and reporting on office water use against a set of best practice benchmarks. In 2011/12 we reduced overall water consumption by 20%. In 2012/13 we continued to work with our landlord, Defra, and facilities management provider, Interserve, to establish a water efficiency programme based on water savings technologies and behavioural change. The current data for 2012/13 shows a 37% reduction in consumption.

CONTROLLABLE IMPACTS COMMENTARY

Our major impact in terms of water consumption is the consumption of potable water in our offices although further audits are underway to identify other sources of consumption across the organisation.

OVERVIEW OF INDIRECT IMPACTS

Natural England promotes the efficient use of water through its Sustainable Procurement system and by encouraging suppliers of goods and services to reduce their environmental impact.

Finite Resource consumption - Energy			2012/13 ¹	2011/12	2010/11
Non-Financial Indicators	Energy consumption (kWh)	Electricity: Non-Renewable	1,776,485	2,175,222	3,544,222
		Electricity: Renewable ²	0	0	0
		Gas	2,60,518	3,206,027	4,458,377
		LPG	0	0	0
		Other	0	0	105,844
Financial Indicators (£k)	Total Energy Expenditure	£277k	£248k	£405k	

1 Energy data covers Dec 11 - Nov 12.

2 Our electricity is procured through the OGC framework over which the proportion of renewable energy varies over time. Therefore it is not possible to provide a reliable figure for renewable energy consumption.

PERFORMANCE COMMENTARY (INCL TARGETS)

Reduction in energy consumption is a core component of our overall carbon reduction programme. We have invested heavily in a number of initiatives which has enabled us to reduce our consumption significantly over the past five years.

CONTROLLABLE IMPACTS COMMENTARY

Our main energy consumption is for heating our offices. We have completed a programme of improving office insulation and heating controls and we continue to monitor and review the efficiency of our estate. The use of 'live' carbon monitors across our office estate has provided real-time energy consumption data, identified inefficiencies and supported more sustainable ways of working during 2012/13. We have reduced the size of our office estate and have supported our staff in reducing the carbon footprint of home working.

OVERVIEW OF INFLUENCED IMPACTS

We have worked with other organisations in sharing our experience of reducing our own energy consumption and influencing sustainable travel choices.



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