

# Annual Report and Accounts

## 1 April 2009 to 31 March 2010





# Natural England

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Natural Environment and Rural Communities Act 2006

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Inside cover: South West Coast Path at Polperro, Cornwall. © Natural England/Andrew Besley

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**More information on our work, including statistics on subjects in this review, can be found on our website [www.naturalengland.org.uk](http://www.naturalengland.org.uk)**



# Foreword

Last year was a pivotal year for England's natural environment – a year of huge achievement and considerable challenges.

We marked the 60th anniversary of our National Parks and National Nature Reserves, our Sites of Special Scientific Interest and our Areas of Outstanding Natural Beauty – cornerstones of the system that conserves our rich natural heritage today. A system bolstered by the creation of the new South Downs National Park, a living, working landscape, rich in wild flowers and butterflies, all within an hour's travel of over ten million people.

Parliament passed a long-awaited and much needed Marine and Coastal Access Act – offering a once in a lifetime opportunity to restore our marine environment, and provide long-term security for all those whose livelihoods depend upon the sea.

People in England are rightly proud of their natural environment, the wealth of wildlife and stunning landscapes. But we are often disconnected from the natural world. We launched a campaign to get a million children outdoors – last year alone we introduced nearly 350,000 children to the wonders of our natural world and helped them to understand how the countryside works.

2010 marks the International Year of Biodiversity. Our most important wildlife sites, Sites of Special Scientific Interest, are now better managed and protected than at any time since the network was created – thanks to the hard work of Non Governmental Organisations and voluntary groups, farmers and landowners, local communities and the public sector. 68 percent of farmland is now under an agri-environment agreement and targeted conservation action means that many of our most threatened species and habitats are now recovering.

But the past year has been challenging: international targets to halt the loss of biodiversity will not be met; the Copenhagen Climate Change summit did not reach a clear consensus on dealing with climate change; and in England, as we have reported this year, species continue to be lost and habitats

damaged and degraded despite the achievements with Sites of Special Scientific Interest and agri-environment agreements.

It is clear that the system of conservation that has done so much in recent times is in danger of being overwhelmed by the mounting pressures of the 21st Century. The true value of the natural environment too often remains hidden, the essential services it provides taken for granted – the carbon stored; the water collected and filtered; the natural flood defences; the benefits to people's health.

Since October 2006 Natural England has reduced its costs by 15 per cent in real terms and taken on additional tasks to the value of £33 million per year. However the serious financial pressures on the public sector means we will have a further £7.4 million less in 2010/11 than we planned for with the prospect of further cuts. These reductions will add to the pressures on the natural environment.

All of this means we need to take further action this year to use the resources we have as efficiently as possible to work with:

- partners and local communities to halt the loss of biodiversity and to restore our disjointed ecological networks on land so that nature is well-placed to recover;
- the fishing industry and others to create an ecological network across our seas;
- farmers and landowners through Environmental Stewardship and the Campaign for the Farmed Environment so that they can produce more and impact less;
- partners to develop new incentives and markets to reward those who care for the natural environment; and
- to bring the natural world to as many people as we can. It is, after all, yours.



**Poul Christensen**  
Chair,  
Natural England



**Dr Helen Phillips**  
Chief Executive,  
Natural England

# Introduction

Natural England's purpose is defined in legislation: 'To ensure that the natural environment is conserved, enhanced and managed for the benefit of present and future generations, thereby contributing to sustainable development' (NERC Act 2006).

In contributing to sustainable development Natural England will seek solutions which, while achieving environmental benefits that also provide long-term economic and social benefits and avoid untoward economic and social impacts.

Our *Strategic Direction 2008 – 2013* describes the four complementary strategic outcomes through which we will deliver our purpose:

- A healthy natural environment.
- People are inspired to value and conserve the natural environment.
- Sustainable use of the natural environment.
- Secure the natural environment for the future.

It also outlines 12 objectives that provide the focus for our delivery over the five years to 2013.

Our **Corporate Plan 2009 – 2012** described 34 targets that we needed to deliver to achieve our outcomes and objectives. Our targets respond to the full range of government policies and programmes, in particular those within the Defra family.

The Annual Report and Accounts summarise our performance against those targets.

Natural England is here to conserve and enhance the natural environment, for its intrinsic value, the wellbeing and enjoyment of people and the economic prosperity that it brings.



Many fruited  
beardless moss  
(*Weissia Multicapsularis*)

Outcome 1

# A healthy natural environment

England's natural environment will  
be conserved and enhanced

## Why we are doing it

- For the intrinsic value of the natural environment.
- Because landscapes and wildlife enrich people's lives.
- For the services that healthy functioning ecosystems supply and for the economic prosperity they bring.

## Highlights in our fourth year

- We have interim landscape objectives for all of England's 159 Character Areas.
- We have reviewed the evidence base for all of our Landscape and Geodiversity work, and 10 new evidence projects have been completed or are underway, including monitoring the Condition and Quality of England's landscapes (CQuEL).
- We have led the implementation of the European Landscape Convention to strengthen protection, planning, management and enhancement.
- Our regional Landscape and Geodiversity partnerships have delivered at least 33 projects, such as London's innovative work and reports on 'London's Foundations' and 'London's Landscape Framework'.
- We have four approved positions on Landscape: an overarching Landscape Position, All Landscapes Matter, Future Landscapes and Protected Landscapes.
- We discharged our statutory duty through our support for the establishment of a South Downs National Park Authority and consulted on specific proposals for the designation of the gap between the Lake District and the Yorkshire Dales National Parks.
- We have agreed the format for a new Memorandum of Understanding for England's 36 Areas of Outstanding Natural Beauty which will ensure these iconic landscapes meet the challenges of the 21st Century.
- We have created 1,600 hectares of new Biodiversity Action Plan habitat and brought 116,000 hectares of biodiversity priority habitat into favourable management through new Higher Level Stewardship agreements.
- Over 90 per cent of Biodiversity Action Plan species for which Natural England has responsibility are meeting recovery plan objectives.
- We enabled farmers to create a further 9,600 hectares of farmland bird habitat through Environmental Stewardship – more than twice last year's total.
- Over 93 per cent of the area designated as Sites of Special Scientific Interest (more than a million hectares) is now in favourable or recovering condition exceeding this year's target and up from 88 per cent at the start of the year.
- We designated two new Sites of Special Scientific Interest under our new notification strategy.
- We completed 7,485 Condition Assessments, ensuring that the evidence on Sites of Special Scientific Interest status is better than it has ever been. This exceeds our previous annual achievement by 3,000.



- We have completed the formal consultation on ten proposed new marine Natura 2000 sites (eight Special Areas of Conservation and two Special Protection Areas).
- Following the Marine and Coastal Access Act we have put in place a stakeholder-led process to recommend Marine Conservation Zones; and we have contributed to the establishment of a Science Advisory Panel to support that process.

## Looking ahead

- We will improve our understanding and delivery through establishment of an integrated landscape framework.
- We will enhance our evidence base and understanding of environmental change.
- We will deliver our statutory powers and duties in relation to National Parks and Areas of Outstanding Natural Beauty.
- We will bring a further 80,000 hectares of biodiversity priority habitat into beneficial management through new Higher Level Stewardship agreements and meet recovery plan objectives for 80 per cent of Biodiversity Action Plan species for which Natural England is taking a lead role.
- We will ensure 95 per cent of the area designated as Sites of Special Scientific Interest is in favourable or recovering condition and that all Sites of Special Scientific Interest comply with the six-year assessment cycle.
- We will provide advice to Government on the designation within English waters of marine Natura 2000 sites and Marine Conservation Zones, as part of Marine Protected Areas.

## Case study

# Protecting the New Forest – England’s biggest Environmental Stewardship agreement

Part of Natural England’s core purpose is to promote nature conservation and protect biodiversity. In the past year Natural England has maintained 116,000 hectares of biodiversity priority habitat through new Higher Level Stewardship agreements.

A shining example of this is our work in the New Forest – one of the most important sites for wildlife in the UK and of great importance for nature conservation in Europe. As well as being a National Park, the majority of The New Forest is legally protected as a Site of Special Scientific Interest, Special Area of Conservation, Special Protection Area and Ramsar Site.

In partnership with the Verderers (who protect and administer the New Forest’s unique agricultural commoning practices), the New Forest National Park Authority, the Commoners Defence Association and the Forestry Commission, we have secured a ten-year £16 million Higher Level Stewardship agreement. This covers 20,000 hectares of land comprising a complex mosaic of wildlife habitats which support an exceptional variety of plants and animals.

By bringing together Natural England’s advice and the European funding we administer, combined with the expertise and commitment of the partners to this agreement, we will create a lasting legacy for the New Forest. This legacy will give sustainable benefits to local communities, wildlife, habitats and visitors and safeguard a viable future for commoning that lasts well beyond the life of the scheme.



© Natural England / Ianthe Ruthven

Trees in the New Forest

## Partners



## Case study

# Net-to-plate visits – showing how a healthy marine environment and a profitable fishing fleet can co-exist

Natural England has led on the establishment of Marine Protected Areas in English waters. We have completed a formal consultation on ten proposed new European Marine Sites – eight Special Areas of Conservation and two Special Protection Areas.

Designation of Marine Protected Areas needs to be accompanied by sustainable fishing. 'Net-to-plate' visits are a great way for us to better understand the perspectives of the fishing industry, and to explore the scope for sustainable fisheries with fishermen, auctioneers, merchants and processors in their home port.

One such visit to Plymouth docks focused on one of the largest and most efficient scalloping vessels in the UK fleet – capable of landing 800 sacks of scallops after ten days fishing. This showcased the hi-tech tools and electronic voyage logs to show how a modern 30 metre boat is capable of 'precision fishing' to protect valuable reef. Our visits also highlighted 'Project 50%', led by Southwest fishermen, which aims to modify fishing gear and reduce the level of discarded fish by 50 per cent. This trial is showing how modifications can avoid catching vulnerable species so the marine environment benefits, the vessel remains viable and crews continue to make a living.



© Natural England / C. Pawley

Fish Auction, Brixham Fish Market



© Natural England / Henrietta Williams

Lambourne End  
Outdoor Centre

## Outcome 2

# People are inspired to value and conserve the natural environment

More people inspired to enjoy, understand  
and act for the natural environment

## Why we are doing it

- Because everyone should have the opportunity to enjoy the natural environment.
- So that people are inspired by and engage with the natural environment and understand its importance to our survival.
- To galvanise people and communities to act to conserve and enhance the natural environment.

## Highlights in our fourth year

- 347,539 children have participated in the 'One Million Children Outdoors' programme since April 2009, including over 217,000 children visiting farms involved through the Educational Access option of the Higher Level Environmental Stewardship scheme.
- We successfully launched our new 'Natural Health Service' with partners and delivered Healthy Walks to 60,000 people – reducing the burden on the National Health Service in the future.
- We successfully developed a programme of outdoor learning activities for 400,000 Scouts and Cubs and launched the 'Language of Landscape', with Ordnance Survey, to benefit 750,000 11yr old school children.
- Since the launch of our 'Big Wildlife Garden' to 20,000 primary schools across England in September, 25,260 children from 933 schools joined the Big Wildlife Garden web site, and 842 schools are participating in our Big Wildlife Garden School of the Year competition.
- We awarded over £10 million of Access to Nature funding – projected to benefit 150,000 children under 16 and 227,000 people from faith groups.
- Numbers of volunteers have increased by 15 per cent – delivering over 198,000 hours of volunteering time in support of our nature conservation work.
- Following the Marine and Coastal Access Act we have secured approval from the Secretary of State for our statutory Coastal Access Scheme,

following extensive public consultation on its content.

- We published the agreed recommendations of the Stakeholder Working Group that we established to review law and procedures relating to unrecorded rights of way.
- We improved visitor facilities and services at 13 of our most highly visited National Nature Reserves and plans are in place for upgrades at a further 12 reserves in 2010/11.

## Looking ahead

- We will give a further 450,000 under 16 year olds a learning experience which enriches their understanding of the natural environment, and increase by 10,000 the number of people from areas of multiple deprivation who encounter the natural environment through the 'Outdoors for All' programme.
- We will award another £5 million of Access to Nature; £200,000 Aggregates Levy; and £500,000 Natural Assets funding and enable 200,000 more people to get improved access to the natural environment through the projects already funded.
- We will deliver an Environmental Volunteering Capacity Building training programme on behalf of Defra and the Environmental Volunteering Group partners.
- We will begin implementation of new Coastal Access rights on 20 kilometres of coast at Weymouth – which will be in place in time for the Olympic sailing events there in 2012.

## Case study

# 'Wildspace' – a resource for the communities of East London

Wildspace is an example of Natural England's work to combine agri-environment funding with advice and partnership building. The Wildspace partnership brings together Natural England, Havering Council, RSPB, London Thames Gateway Development Corporation, the Environment Agency and Veolia. It is centred on 1,500 hectares of the Inner Thames Marshes Site of Special Scientific Interest and linked to the economic regeneration of the Thames Gateway.

In 2009 Natural England brokered a 25 year lease between Havering Council and the RSPB to improve the management of the Rainham Marshes including two Higher Level Stewardship agreements covering 255 hectares of Sites of Special Scientific Interest. As a result, local residents will see cattle grazing parts of Rainham Marshes for the first time since 1945 and a 'walking for health' initiative has been established in conjunction with the local community.

As well as helping deliver our commitment to get 95 per cent of the area of Sites of Special Scientific Interest into favourable or recovering condition, Wildspace is at the same time ensuring green infrastructure is integrated into new development. This is making a significant contribution to the health and wellbeing of local people.



© Natural England / Nick White

**Rainham Marshes RSPB Reserve**

National Nature Reserves represent the best natural heritage sites in England and include the full range of habitats – coastal, woodland, grassland, heath, fen and open water.

Of the 224 National Nature Reserves, Natural England manages over half, covering 64,500 hectares – more than two thirds of the total area. National Nature Reserves play an important part in providing vital habitat for England's rarest plants and animals. Places like Paston Great Barn, which is

## Partners



## Case study

# National Nature Reserves – supporting wildlife and increasing people’s appreciation of the natural environment

one of the few UK sites for the Barbastelle bat; and Roudsea Wood, which is a stronghold for the endangered Hazel Dormouse. As well as providing these habitats National Nature Reserves are also central to providing facilities for the understanding and enjoyment of the natural environment. ‘Welcome to the Wildside’ is an exciting community-based project, part-funded by the Heritage Lottery, to get people ‘hands on’ with nature at three National Nature Reserves in Kent.

More than 60 events have already attracted over 1,500 people who would not normally have visited these nature reserves, including ethnic minority groups, disabled people, the young and the elderly, and those from deprived communities. Together with local schools we have produced three education packs for children in Key Stage 2. This is helping us to realise the educational potential of our reserves and is contributing to our long term target to give one million children a learning experience in the natural environment.



© Natural England / Phil Parker

**Barbastelle bat**



© Natural England / Emma Griffiths

**Butterfly Event at Wye National Nature Reserve**

## Partners



Paston Heritage Society





Highland cow at  
Wildmoor Heath SSSI

Outcome 3

## Sustainable use of the natural environment

The use and management of the environment  
is more sustainable

## Why we are doing it

- So that use of land, freshwaters and seas does not compromise the natural environment.
- So that change and development can occur in a manner that protects and enhances the natural environment.

## Highlights in our fourth year

- All National Policy Statements, legislation and plans governing land and water use and management recognise the value of the natural environment to social and economic development.
- We have provided advice on the development of all nine integrated regional strategies and other regional and local documents to try and ensure they incorporate benefits from and to the natural environment.
- 70 per cent of areas that are implementing major housing growth have plans to create or improve green infrastructure and we have published our Green Infrastructure Guidance.
- We have produced a clear approach to how we will assess on-shore wind energy that we will use to encourage the uptake of new development in appropriate areas.
- We have published an analysis of the state of the natural environment in the Green Belt, and opportunities to be considered by decision-makers for its future use.
- We have introduced 21 new or enhanced options into Environmental Stewardship and launched Uplands Entry Level Stewardship.
- We have published a report on the effectiveness of agri-environment schemes in support of the work Defra leads on PSA 28.
- Through the Land Use Policy Group we have collaborated with others to produce a 'vision' for focusing European money on environmental land management.
- We continued to process payments to farmers well within agreed deadlines throughout the



Uncropped field margin, Ganton, East Yorkshire

- year, spending £361 million of UK Rural Development Programme and European Union agri-environment scheme funds – the best that Natural England has yet achieved.
- As a result of our promotion of schemes, the advice provided for farmers and landowners we increased the proportion of land under agri-environment scheme agreements to 68 per cent – meeting our target for the year.
- We assessed 989 Higher Level Stewardship agreements to determine progress – demonstrating our commitment to agreement quality and scheme outcomes.
- We have ensured the delivery of 22,000 face-to-face land management advisory contacts and 4,500 cross compliance advice contacts. Feedback on Natural England Advisers' knowledge is 97.3 per cent positive and 98.1 per cent of attendees at events would recommend the events to other farmers.
- With Defra and the Environment Agency we have tackled diffuse water pollution with advice to farmers and land managers responsible for more than 350,000 hectares in priority catchments – backed by 670 grant awards totalling £5 million.
- We have published a report on the steps needed to secure sustainable English sea fisheries.

## Looking ahead

- We will maximise the number of key Development Plan Documents which align with Natural England positions to create new Biodiversity Action Plan habitat; high quality green infrastructure; new access routes; and achieve protection or enhancement to landscape character.
- We will produce guidance that demonstrates how the natural environment can and should be taken into account in the design and assessment of new energy projects.
- With the National Farmers Union, the Environment Agency and the Countryside Council for Wales we will publish a report on the *'State of the Farmed Environment'*.
- Further increase the proportion of the Utilisable Agricultural Area (UAA) that is under agri-environment schemes to secure environmental and social benefits.
- We will secure Uplands Entry Level Scheme agreements on 505,000 hectares of Severely Disadvantaged Area land.
- We will develop new incentives and markets to reward those who care for the natural environment.
- Our own advisers and the RDPE funded Entry Level Stewardship Training and Information Programme contracts that we manage will deliver up to 28,000 contacts with land managers and farmers and we will deliver up to 4,000 technical advice contacts on cross-compliance.
- Working with the Environment Agency we will deliver advice and incentives to farmers and land managers responsible for 250,000 hectares of land in target areas in priority catchments and support up to 930 farmers to address diffuse water pollution from agriculture through a £7.5 million grant programme.
- We will inform and advise on the development of the Common Fisheries Policy White Paper, so that it effectively addresses the priorities we have identified.
- We will promote and facilitate increased uptake of certification by English inshore fisheries.
- We will inform the development of Round 3 offshore wind projects so that the most sustainable projects are taken forward for consent.

## Case study

# A partnership for sustainable land management – supporting the Campaign for the Farmed Environment

This year we have provided land management advice to 22,000 farmers and managed a further 4,500 cross compliance advice contacts to help industry protect the natural environment.

The success of our Farm Advice programme is underpinned by strong partnership working. We are working with the agricultural industry's Campaign for the Farmed Environment to encourage farmers to continue or voluntarily adopt sustainable land management practices and to recapture the environmental benefits formerly provided by set aside.

With over 13,000 Environmental Stewardship agreements due for renewal in 2010, the Campaign for the Farmed Environment complements Natural England's ongoing promotion of Entry Level Stewardship and contributes to encouraging farmers to renew their existing Entry Level Stewardship agreement or to join for the first time.

The Campaign has enabled its partners to offer guidance and advice to land managers and professional advisers under one 'umbrella'. At the Campaign's launch events, Natural England explained how it will be offering support to farmers through the new Entry Level Stewardship Training and Information Programme.



© Alison Pratt (Comms Officer, NFU EM)

**CFE Regional Launch, left to right – Alastair Leake (GWCT), Kirsty Brannan (RSPB), Mark Leggott (Vice President NFU Combinable Crops Board), Carolyn Lloyd (SPMFA, NE), Graham Harding (CFE Lincolnshire Local Liaison Group Chairman), Paul Meakin (EA), Simon Fisher (NFU Policy), Jim Egan (FWAG), Helen Woolley (Regional Director CLA)**

Our partners include:

Agricultural Industries Confederation – AIC  
Association of Independent Crop Consultants – AICC  
Central Association of Agricultural Valuers – CAAV  
Country Land and Business Association – CLA  
The Environment Agency – EA  
Farming and Wildlife Advisory Group – FWAG  
Game and Wildlife Conservation Trust – GWCT  
Linking Environment and Farming – LEAF  
National Farmers Union – NFU  
Royal Society for the Protection of Birds – RSPB

## Partner



## Case study

### Working with local authorities and developers to deliver environmental benefits



Natural England is helping to deliver 100 hectares of additional accessible green infrastructure in the Dearne Valley, as a lead member of the Dearne Valley Green Heart partnership whose regional, sub-regional and local partners, include the Environment Agency, RSPB, Barnsley Council, Rotherham Council, Doncaster Council, Yorkshire Wildlife Trust and Groundwork Dearne Valley.

The green infrastructure network will include nature reserves, routes for walking and cycling and other environmental features. It will provide a broad range of benefits for wildlife, for people's health and well being, and for local landscapes, so aiding the regeneration of what was once the largest area of despoiled land in Western Europe, following the closure of the coal mining industry.

Last year this partnership progressed the delivery of 100 hectares of green infrastructure along ten miles of the River Dearne, including new habitats, cycleways and footpaths, alongside community projects ranging from mural painting with Dearne Valley College students to health bike rides at RSPB Old Moor.

The Dearne Valley lies within the South Yorkshire and Leeds City Region Growth Points. Its regional importance as a green infrastructure corridor was identified through mapping work by Natural England and local authorities across Yorkshire and Humber. The work was incorporated into both the Leeds and South Yorkshire Green Infrastructure Strategies and Local Development Frameworks.

Natural England has played a leading role in a partnership to develop and deliver an Eco-Vision for the Dearne Valley.

"Working with Natural England is helping us deliver high-quality green infrastructure through our Eco-development" says Joanne Wehrle, Project Manager of the Eco-Vision at Sheffield City Region.

Other partners in the Eco-Vision include:

Barnsley MBC

Rotherham MBC and Doncaster MBC

Environment Agency

RSPB

Yorkshire Forward

Government Office Yorkshire and Humber

Transform South Yorkshire

Homes and Communities Agency

South Yorkshire Public Transport Executive

Dearne Valley Education Partnership.

#### Partners





Flood plain

Outcome 4

# A secure environmental future

Decisions which collectively secure the future of the natural environment

## Why we are doing it

- Because the factors that affect the natural environment are complex and changing rapidly.
- To ensure the information and evidence is available to monitor, anticipate and plan for major changes that will affect the natural environment.
- To clarify our vision for the natural environment and engage people in debating the future choices this involves.



Flooded fields – Wareham

## Highlights in our fourth year

- We have published an initial 'Land Use Strategy' describing the direction and priorities for our work to 2013.
- Our three reports: '*Global Drivers for Change*', '*Scenarios*' and a '*Scenarios Compendium*' present the first set of scenarios that cover the entirety of the natural environment, from mountain top to seabed and also consider how people interact with the environment.
- Our '*Mapping Values: the vital nature of our uplands*' report provides a powerful demonstration of the many benefits people get from the upland environment.
- We have produced reports on Upland Ecosystem Services and Economic Valuation of Upland Ecosystem Services.
- We have ensured that the role of a healthy natural environment is central to the implementation of the adaptation instruments in the Climate Change Act and EU Adaptation policy.
- We have developed natural environment climate adaptation indicators to inform thinking on future Public Service Agreements and on the Government's future adaptation indicator set.
- We have developed and tested a methodology for assessing the vulnerability of the natural environment to climate change and implemented the second phase of our Character Area Climate Change pilots in four new Character Areas.
- We have published an accessible and compelling narrative of the role of the natural environment in adaptation and the need for sustainable adaptation to climate change.
- The launch of the '*Peatlands*' report built on the paper '*Nature conservation in a 4 degree world: a luxury or a necessity?*' presented at an international climate change conference. Through these we have developed a persuasive narrative on climate change.
- Our report '*No Charge? – Valuing the natural environment*' provides a convincing summary that illustrated the value of a healthy natural environment. We have begun to test it through pilot partnerships in Yorkshire and Humberside, the North West and the South West.

## Looking ahead

- With stakeholders we will develop plans to take forward our 'Upland Vision' in at least five priority upland areas, which will include proposals for appropriate grazing and woodland creation.
- We will consolidate the Delivering Nature's Services programme to demonstrate the practical application of ecosystem services principles in the South West, North West and Yorkshire and Humberside regions.
- Our advice to Defra ensures that the EU White Paper and the implementation of the Climate Change Act take into account the needs of the

natural environment and reflect the principles of sustainable adaptation.

- We will develop locally specific recommendations in each Natural England region which address the challenges of climate change for the natural environment and engage with local and regional stakeholders to advocate those recommendations.
- We will publish the results from our landscape scale climate change project and use them both to inform the revision of all 159 National Character Area descriptions and to demonstrate further examples of sustainable climate change responses at a landscape scale.
- During 2010/11 we will jointly develop with our partners a long term view for the natural environment and share this work to promote debate on the opportunities and challenges ahead.
- With partners, explore the use of new valuation techniques such as habitat banking and conservation credits.

## Case study

### Peatlands – part of the solution to climate change

In March 2010 Natural England launched a report on the condition of England's peatlands and their role in carbon storage. Around three quarters of our peatlands are damaged through drainage, over grazing, burning or cultivation, which means that they are less able to absorb carbon and are in fact losing significant quantities (we estimate around 3 million tonnes) to the atmosphere every year. Climate change is likely to exacerbate these losses by further drying out vulnerable peat bogs.

Restoration of peatlands by re-wetting could halt these carbon losses and make an important contribution to meeting the UK's climate change targets.

On the Forestry Commission estate at Delamere Forest, near Northwich in Cheshire, the Forestry Commission and Natural England are spearheading plans for the re-wetting of lost meres and mosses which have been dry for up to 80 years.

Made up of more than 100 peatland basins of different sizes, including Linmer Moss, Hatch Mere and Flaxmere Moss, Ramsar and Abbots Moss and Oakmere Special Areas of Conservation, Delamere forms one of the key wetland sites in the UK. It is internationally renowned for its unusual quaking bog sites, known as 'schwingmoor', formed as a result of the area's unusual glacial origins.

The plan to re-wet the meres and mosses will not only help to conserve the rare natural landscape and benefit important wildlife and plant species in the region, but also secure the remaining carbon



© Cheshire Wildlife Trust

#### Hatchmere Site of Special Scientific Interest

store. In time, the peat may well start to trap carbon again and so directly help to reduce the amount of CO<sub>2</sub> in the atmosphere.

Across England, our delivery of Environmental Stewardship is directly helping to protect and enhance vital carbon stores. For example, in the uplands some 120,000 hectares of peat-rich blanket bog is being restored while on the coast over 6,000 hectares of saltmarsh is being created a year, a habitat which also stores and captures carbon.

#### Partner



## Case study

# Wetland Vision – helping to address the potential impacts of a wetter and stormier world

As part of this extensive programme Natural England has allocated around £500,000 to the Humberhead Levels Wetland Vision project. Located within the heart of Yorkshire and Humber, the Humberhead Levels make up over 2,000 square kilometres of arable farming, rivers, dykes and a mosaic of wetlands.

The project will restore and create a total of 167 hectares of wetland habitats alongside a productive farmed landscape. With additional funding from the Environment Agency, the RSPB, Yorkshire, Lincolnshire and Nottinghamshire Wildlife Trusts and the Burnet Trust the total investment will be over £1.5 million. This will help fund land purchases, habitat creation and kick-start the longer term vision of creating a series of landscape-scale, interconnecting habitats more resilient to the effects of a changing climate.



© Peter Roworth

Drain near Epworth

### Partner





Bristol and Bath  
Railway Path

Natural England will be a  
**distinctive public body committed**  
to the environment and people

## What we strive to do

- Be independent and trusted.
- Build consensus and lead opinion.
- Act as a catalyst for others and take action ourselves.
- Develop our people so that they can realise their potential.

## Highlights in our fourth year

- We have reduced our costs by 15 per cent in real terms since October 2006 and we have taken on additional tasks to the value of £33m per year.
- We have already exceeded the Governments Operational Efficiency Programme targets for the costs we control of 20 per cent by 2013/14.
- We have shrunk our estate from 63 to 36 offices since 2006.
- We generated a £8.4m growth in external funding in 2009/10.
- We have achieved accreditation from the Carbon Trust, reduced our carbon emissions by 29 per cent and we are on target to meet our 50 per cent target by the end of 2010.
- We have reduced by 30 per cent (£3.9m) the regulatory burden on our customers.
- We have maintained a positive rating of 70 per cent for customer satisfaction, with less than 10 per cent dissatisfaction.
- Our stakeholder survey has demonstrated our key stakeholders' continued willingness to work in partnership with us.
- 73 per cent of our stakeholders agree that we take evidence based decisions and 79 per cent agree that Natural England can be trusted in what we say.
- We are establishing ways to share and access training with key partners (for example, sharing the Environment Agency's agriculture training, giving RPA access to our agri-environment training), and are working with relevant professional groups (for example IEEM) to



Cornflower – North York Moors

accredit the quality and value of our training range.

- 70 per cent of staff would now recommend Natural England as a "Good Place to Work" up from just 17 per cent in our first survey in September 2007
- 96 per cent of all new staff have benefited from our enhanced programme of Environmental Leadership Induction events.
- We achieved a Bronze Disability Standard Award from the Employers Forum on Disability at our first attempt.
- 20 per cent of our People Leaders are now accredited with the Institute of Occupational Safety and Health (IOSH) Managing Safely programme.

## Looking ahead

- We will deliver a further £5m of cash efficiencies in 2010/11 and a further £5m year on year growth in external revenue reinvesting this in front line delivery.
- We will meet our published customer service standards in at least 95 per cent of cases.
- We will have reduced the carbon footprint of our estate energy consumption and business travel by 50 per cent by December 2010.
- We will continue to reduce the total administrative burden on customers with a one per cent reduction against the 2009/10 baseline.

- We aim to ensure that 75 per cent of our stakeholders agree that we take evidence-based decisions.
- We will gain accreditation for five of our most important development programmes with relevant external organisations.
- 50 per cent of people leaders and Senior Reserve Managers will have successfully completed the Institute of Occupational Safety and Health (IOSH) Managing Safely programme.

## Case study

### Reducing the burden of regulation – launch of 2010 General Licences

Regulation plays an important role in shaping people's attitude to wildlife and biodiversity and helps resolve the conflicting demands of people and the natural environment. Natural England is striving to reduce the administrative cost to the public and business of essential regulation.

In December 2009, following a public consultation, Natural England launched a series of general licences to help thousands of people to resolve common problems quickly and cheaply, without the need to seek an individual licence. We published drafts of the licences three months in advance to allow stakeholders to review and seek clarifications and improvements.

Natural England expanded its guidance on the use of traps and launched a new licence to allow registered people to catch and release unharmed four species of bird that often get into food production premises. This is making a valuable contribution to reducing regulatory burden in the food industry and helping safeguard food safety.



© Natural England / Rob Fraser

Food production premises – Shropshire

## Target setting and performance assessment in Natural England

Natural England is committed to continually improving its performance through setting and agreeing challenging targets which are aligned with our Strategic Direction and then assessing and reporting progress against them at least quarterly.

Our five year Strategic Direction provides the framework for setting the in-year measures we present each year in our Corporate Plan. This process begins in the Autumn with us seeking a strategic policy steer from Defra and other government departments. We follow this with a process of target setting and challenge by senior officials in Defra to ensure the draft plan we present to our non-Executive Board is measurable, ambitious and will provide good value for the public money allocated to it. Before publication, our plan, its key performance indicators and budgets are approved by Defra Ministers.

Our performance measures cover all our objectives and include cost efficiency targets. Wherever possible we retain measures year-on-year to allow us to assess trends. Where annual outcome or impact measures are not possible we carefully select activity or intermediate measures to give an indication of progress towards the longer term objective or outcome. Our performance indicators focus on things that are directly attributable to our work to allow the Board and Ministers to assess the value we add.

Natural England has a rigorous quarterly reporting process overseen at Executive Director level which allows the Chief Executive to present a full performance report to the non-Executive Board meeting after the end of each quarter. We publish these quarterly reports on our website.

## Progress towards our Strategic Direction

### A healthy natural environment

Our diverse landscapes continue to provide inspiration and enjoyment for people and enable our wildlife to adapt to the challenges of the future.

Target	Status	Progress
<p><b>Landscape and geodiversity</b></p> <p>An understanding of landscape and geodiversity is embedded in more policies and practice affecting England's natural environment at national, regional and local levels and is inspiring increased public engagement.</p>	<b>G</b>	<p>We successfully completed all three elements of this target (evidence, positions and regional partnerships). The additional work to develop interim objectives for the 159 NCAs was a major achievement. Scoping and planning for the Character and Quality of England's Landscapes (CQuEL) project is complete with the letting of the contract for the first phase and we are in a much stronger position to inform decisions about landscape change in 2010. The suite of improved spatial data needed to underpin our advocacy and improve delivery includes the 'England's Peatlands' report.</p> <p>Landscape and geodiversity partnerships are now taking forward 33 projects across the nine regions in support of the European Landscape Convention and UK Geodiversity Action Plan objectives and they have made good progress and we are preparing a publication to celebrate and communicate these achievements.</p> <p>Building from the successful approval of our four positions on Landscape – 'Landscape Position', 'Future Landscapes', 'All Landscapes Matter' and 'Protected Landscapes' – we have initiated the process of drafting full implementation plans.</p>
<p><b>Protected landscapes</b></p> <p>Nationally important landscapes and areas of importance for their geodiversity are conserved and enhanced both through our direct intervention and through our support for partnerships and key stakeholders</p>	<b>AR</b>	<p>Despite a solid performance across the measures in this work area we did not meet our stated target to sign agreements with all 36 Areas of Outstanding Natural Beauty (AONBs) resulting in the 'Amber/Red' status for this target. However, most funding partners have indicated initial acceptance of the new national AONB agreement template and we have allowed additional time for AONB partnerships to sign up. We expect this to be complete by September.</p> <p>The Statutory Instrument establishing the South Downs National Park Authority (SDNPA) came into force on 24th March. We are supporting and collaborating with the Transitional Authority to develop joint working protocols.</p> <p>We completed a wide-ranging public consultation on the proposals for designation of the gap between the Lake District and Yorkshire Dales National Parks to a very tight timescale.</p> <p>We have continued our work with National Parks and AONBs fulfilling our statutory powers and discretionary duties, and have been working with a wide range of protected landscape partners.</p> <p>Our rich biodiversity thrives across the landscape, with ecosystems and habitats resilient to climate change.</p>

Key		
<b>G</b>	Green	100% of the indicators for the target delivered
<b>AG</b>	Amber Green	Over 90% of the indicators for the target delivered
<b>AR</b>	Amber Red	Less than 90% of the indicators for the target delivered
<b>R</b>	Red	Less than 80% of the indicators for the target delivered

Our rich biodiversity thrives across the landscape, with ecosystems and habitats resilient to climate change.

Target	Status	Progress
<p><b>Biodiversity</b></p> <p>Increase habitat and species resilience to climate change through landscape-scale action, increasing the proportion of Natural England led priority habitats in beneficial management to 80% and the proportion of Natural England led priority species meeting recovery plan objectives to 85%, while continuing to contribute to the Government's PSA target for farmland birds.</p>	<b>G</b>	<p>We promoted the new England Biodiversity Strategy delivery framework and supported national, regional and local biodiversity partners in delivering their contributions to national biodiversity targets. The significant effort during the last quarter saw us reach or exceed almost all the indicators for this measure. The focus on biodiversity priority habitat delivery and farmland birds has been rewarded by very significant areas of land being brought into appropriate management options for biodiversity.</p> <p>We created 1,600 hectares of new Biodiversity Action Plan habitat through 24 major landscape scale habitat restoration projects. We brought 116,000 hectares of biodiversity priority habitat into beneficial management via new Higher Level Stewardship, 24,000 hectares above target. We met recovery plan objectives for 90 per cent of BAP species for which Natural England is taking a lead role. We have delivered a further 9,600 hectares of key arable farmland bird options through Environmental Stewardship – a 36 per cent increase above March 2008 baseline.</p>
<p><b>Sites of Special Scientific Interest</b></p> <p>95% of SSSI area in favourable or recovering condition by December 2010 and their health and resilience monitored and maintained thereafter.</p>	<b>G</b>	<p>We have brought 93.1 per cent (1,002,000 hectares) of Sites of Special Scientific Interest into favourable or recovering condition, through close working with individual land managers, regional and national partners. We have used Higher Level Stewardship agreements to encourage appropriate management and, where necessary, put in place the appropriate regulatory actions on 15,500 hectares (1.5 per cent of total Sites of Special Scientific Interest area) to protect sites.</p> <p>We completed 7,485 Condition Assessments from the 2009/10 programme, ensuring that the evidence on Sites of Special Scientific Interest status is better than it has ever been. This exceeds our previous annual achievement by 3,000. Our action plan for dealing with the Public Accounts Committee recommendations is in place and on track and we have now fully implemented the notification strategy with work on 12 planned sites.</p>

Our marine environment is better understood, valued and protected.

Target	Status	Progress
<p><b>Marine Protected Areas</b></p> <p>Develop and implement a plan for all English Marine Protected Areas by October 2011 to provide an ecologically coherent network of sites.</p>	<b>G</b>	<p>The Marine and Coastal Access Bill received Royal Assent in November 2009 and we have put in place the project to ensure we deliver our contribution to its implementation.</p> <p>We have completed the formal consultation on ten proposed new marine Natura 2000 sites (eight Special Areas of Conservation and two Special Protection Areas) and we have assessed the responses and, where necessary, revised recommended boundaries. There are some changes which require detailed discussion with Defra and other Government departments.</p> <p>The publication of Ecological Network and Project Delivery Guidance for the Marine Conservation Zones has provided clarity about what will be required and how it should be delivered. The Regional projects have established their stakeholder groups and held successful initial meetings to explain the process and build understanding.</p> <p>We have raised public awareness of regional characteristic seascapes through a programme of events and media activities reaching well over the target number of people.</p> <p>We have established four 'regional seas' projects to put in place a stakeholder-led process to recommend Marine Conservation Zones. In December we hosted the international 'Sea Change' conference and contributed to the establishment of a Science Advisory Panel.</p>
<p><b>Marine biodiversity</b></p> <p>Lead the recovery of marine biodiversity through leadership of the marine workstream of the England Biodiversity Strategy</p>	<b>G</b>	<p>We have agreed an overall approach to Habitat and Species Action Plans outside Marine Protected Areas and continued to ensure marine issues are included in the England Biodiversity Strategy (EBS) and its management, undertaking a review of existing indicators. We have developed a specification for a feasibility study of marine species suitable for recovery</p>

Key		
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<b>R</b>	Red	Less than 80% of the indicators for the target delivered

Target	Status	Progress
<p><b>Sustainable marine environment</b></p> <p>Secure sustainable management across the marine environment through timely and appropriate responses to statutory casework, monitoring and surveillance.</p>	<b>G</b>	<p>We have made good progress with Defra, JNCC, and other UK conservation authorities in developing an integrated marine monitoring and surveillance programme, which will be required under the Marine Strategy Framework Directive. We have completed regional and national monitoring contracts including a survey of Solent seagrass to help with clam dredging enforcement work; establishing a baseline for North Kent Pacific Oyster monitoring and completing a survey of low tide bird and seal breeding on the Wash.</p> <p>We have assessed monitoring requirements for existing European Marine Sites and integrated them into our own risk-based Marine Protected Area monitoring programme. Our advisers checked results and analysed the statistics produced for over 900 risks at 45 sites across England. We have now developed 19 draft plans to identify management of high risks. We completed 95 per cent of our marine planning casework within deadline and continued to manage the high volumes of challenging casework.</p>

## Progress towards our Strategic Direction

### People are inspired to **value and conserve** the natural environment

People fully understand and value the contribution of the natural environment to our quality of life.

Target	Status	Progress
<p><b>Understanding and appreciation</b></p> <p>By 2012, give one million children and their families a high quality learning experience which enriches their understanding and appreciation of the natural environment.</p>	<b>G</b>	<p>We have begun to analyse the Monitor of Engagement with the Natural Environment (MENE) survey to understand and measure change in people's engagement with the natural environment and started to discuss the strategic application of MENE data to help the sector better coordinate the targeting of audiences.</p> <p>More than 347,539 children under 16 (Key Stages 1 to 4) participated in the Million Children Outdoors programme gaining a high quality learning experience of the natural environment, nearly 40 per cent above the annual target of 250,000. 217,010 visited Educational Access farms over the year – double the annual target. 25,260 children from 933 schools joined the Big Wildlife Garden web site, and 842 schools are participating in our Big Wildlife Garden School of the Year competition. During the year we launched the 'Summer of Fun' initiative to over 400,000 Scouts, Cubs and Leaders and launched the Language of Landscape study aid with Ordnance Survey, to 750,000 11 year olds.</p> <p>19 new National Nature Reserve Outreach Advisers, funded through the Single Farm Payment, are now in post and have completed an Induction and Training course. More than 34,000 children visited our National Nature Reserves during the year of the 60th Anniversary of the 1949 National Park and Access to the Countryside Act.</p> <p>7,435 children participated in the Green Exercise Project nearly 50 per cent above target and 79 children received John Muir Discovery Awards. 34,020 children – double our target – participated in Access to Nature projects.</p> <p>The Walking for Health programme is ahead of schedule. We signed the funding agreement with Department of Health and drew on £1.8 million of funding. 61,094 people participated over the year exceeding the annual target by more than 35 per cent. Our partnership with outdoor retailers, Millets, means that Natural England and Walking for Health has a presence on many high streets around the country.</p> <p>The Outdoors for All programme is gaining greater momentum with activities taking place in many regions and we have agreed a review of the 10 year Action Plan with Defra to sharpen focus over the next 2 years.</p>

Key		
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<b>R</b>	Red	Less than 80% of the indicators for the target delivered

Target	Status	Progress
<p><b>Access to Nature</b></p> <p>Deliver the Access to Nature Grant Scheme to enable wider use and greater understanding and appreciation of the natural environment and its contribution to people's quality of life, including their health and wellbeing.</p>	<b>G</b>	<p>Access to Nature has met its main target to award funds to 50 projects this year and awarding £10.6 million (total to date is now 76 awards for £17.6million). We assessed 87 per cent of Stage 1 and 97 per cent of Stage 2 Access to Nature applications within agreed timescales. We made changes to the assessment process to get applications assessed quicker than the target of 120 days, in order to get the number of applications processed in the available time. Our monitoring shows that so far 34,024 children under 16 years old have benefited from projects currently underway.</p> <p>In partnership with Advantage West Midlands we have approved £619,571 through the Natural Assets programme including projects that will benefit 10,000 children, unemployed people and volunteers. Four projects are now complete and we have paid £160,000 of claims, in excess of the minimum payment target of £150,000.</p>

People increasingly take action to conserve and enhance the natural environment.

Target	Status	Progress
<p><b>People actively engaged</b></p> <p>Increase the number and diversity of people actively engaged in conserving and enhancing the natural environment by 10% by 2011.</p>	<b>G</b>	<p>We have increased the number of Natural England's volunteers by 15 per cent on the March 2009 baseline and benefitted from 198,000 hours of volunteer time making a significant contribution to our National Nature Reserve and bat conservation work. We have agreed a programme of £100,000 of capacity building training through Defra's Muck in 4 Life campaign in partnership with volunteer organisations to help them overcome the barrier to recruiting more volunteers.</p>

Key		
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People have places to access and enjoy a high quality natural environment.

Target	Status	Progress
<p><b>Access infrastructure</b></p> <p>By 2011 each region will develop a strategic understanding of its access infrastructure and champion strategies for quality access to quality environments.</p>	<b>G</b>	<p>Following enactment of the Marine and Coastal Access Bill we have consulted widely on the statutory Coastal Access Scheme and begun implementation of stage 1 of the first stretch of new coastal access to be in place at Weymouth by the time of the 2012 Olympic sailing events there. We have started negotiations with five other access authorities around the English Coast.</p> <p>We have continued to meet our target of maintaining over 99 per cent of open access land open for use by walkers through statutory and other management activities. We continue to be ahead with statutory access reviews and reassessment of restrictions, delivering casework to statutory deadlines. Maintenance on all National Trails is ongoing including major projects on the Pennine Bridleway and improvements to stretches of Pennine and Cleveland Ways; We have published 'Nature Nearby' – guidance for quality greenspace standards and the Country Parks Accreditation Scheme is operating successfully. Our work with Regional partnerships projects and Local Access Forums (LAFs) is on track. We have continued to support National Trails with website updates; leaflets, revised guidebooks and a successful promotion at the NEC 'Outdoors Show'.</p> <p>We have held initial discussions with key national stakeholders about the statutory review of access-related maps of open country and registered common land that we are required by the Countryside and Rights of Way Act 2000 to undertake by 2014/15.</p>
<p><b>Champion NNRs</b></p> <p>By 2011, Natural England will have developed a series of 'Champion' National Nature Reserves which demonstrate the sustainable use and management of high-quality natural destinations, and ensure that the National Nature Reserve estate is fully integrated into the access infrastructure in each region.</p>	<b>AR</b>	<p>We have developed and reviewed detailed investment plans for three 'Champion' National Nature Reserve projects. However, in view of uncertainty over funding in 2011/12 and beyond, we are taking forward just one of these at present. The status for this target is 'Amber/Red' as a result. We will seek to develop alternative funding models for the other two projects. We have completed development of visitor facilities at 13 Destination NNRs and are on track with plans to invest in the development of a further 12 next year. On completion, this will provide a consistent standard of visitor infrastructure on the 25 most visited NNRs under our management.</p>

## Progress towards our Strategic Direction

### Sustainable use of the natural environment

Land is used for social and economic development in a way that recognises, protects and enhances the value of the natural environment.

Target	Status	Progress
<p><b>Regional and local spatial frameworks</b></p> <p>Secure positive outcomes for the natural environment through targeted, proactive and well evidenced interventions in the development and delivery of national, regional and local strategies and frameworks.</p>	<b>G</b>	<p>We have ensured that the Local Democracy and Floods and Water Management Bills; the eight National Policy Statements and Planning Policy Statements for nationally significant infrastructure projects impacting on land and water development all recognise the value of the natural environment and the social and economic benefits it can bring. All nine integrated regional strategies and Sustainable Community Strategies and Local Area Agreements incorporate benefits from and to the natural environment. We are now helping 99 local authorities to ensure delivery of green infrastructure and as a result we have secured commitments to the creation or improvement of Green Infrastructure in 70 per cent of areas that are implementing major housing growth or regeneration programmes. We have ensured our objectives for the Finding Space for Energy Guidance will be delivered by the Government's Renewable Energy Strategy commitments. In January we published our analysis of the state of the natural environment in the Green Belt, 'Green Belts: a greener future' report. Our survey of 150 individuals from local authorities showed 78 per cent agree we are advising on the integration of the natural environment into local strategies and 68 per cent that we are co-operating fully with local authorities and their partnerships.</p>
<p><b>Land use planning</b></p> <p>The planning system and land-use planning funding streams deliver measurable environmental benefits, in line with Natural England's advice on environmental priorities.</p>	<b>G</b>	<p>We handled 95 per cent of the 20,000 consultation responses within agreed timescales fulfilling our duties as set out in legislation, service standards and other agreements. We have developed new tools to streamline delivery systems in the coming year and established a new national Land Use Planning team to enable us to further improve both productivity and levels of delivery.</p>

Key		
<b>G</b>	Green	100% of the indicators for the target delivered
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<b>R</b>	Red	Less than 80% of the indicators for the target delivered

Land is managed in a way that delivers environmental services alongside other benefits.

Target	Status	Progress
<p><b>Agri-environment development</b></p> <p>Increase the environmental effectiveness and efficiency of agri-environment schemes.</p>	<b>G</b>	<p>We have introduced 21 new or enhanced options into Environmental Stewardship in agreement with Defra and the European Commission and these are now included in revised scheme handbooks.</p> <p>We launched Uplands Entry Level Stewardship in February 2010 after extensive consultation with stakeholders and we are preparing for the first agreements in July 2010. We have agreed a clear Evidence Plan with Defra and our monitoring and evaluation programmes will be more cost-effective and outcome-focused as a result.</p> <p>We began a major programme to plan for the successor to the Common Agricultural Policy (CAP), and to assist Defra in its negotiations. We produced a seminal report on <i>'Agri-environment Schemes in England 2009'</i>, demonstrating how public money spent on agri-environment schemes has benefitted the natural environment over the last 25 years. We are working in partnership with the National Farmers Union and Environment Agency in drafting 'State of the Farmed Environment' report now planned for publication in the Summer 2010.</p>
<p><b>Agri-environment delivery</b></p> <p>Deliver agri-environment schemes to produce environmental benefits.</p>	<b>G</b>	<p>As a result of our promotion of schemes, the advice provided for farmers and landowners and the efficient processing of applications we have increased the proportion of the Utilisable Agricultural Area (UAA) under agri-environment schemes to 68 per cent, a total of 6,333,164 hectares, meeting our target for the year. In the process we have brought a cumulative total of 89 per cent (target 80 per cent) of former Environmentally Sensitive Areas and Countryside Stewardship Scheme agreement land into Environmental Stewardship, demonstrating our ongoing commitment to classic scheme agreement holders.</p> <p>We processed scheme payments well within agreed deadlines throughout the year, spending £361m of European Union and UK Rural Development programme funds to support the farmed environment and the public's enjoyment of it – the best that Natural England has yet achieved. On new Higher Level Stewardship agreements, we more than doubled output to £43.4 million or 96 per cent of our target. We exceeded our target of assessing 989 Higher Level Stewardship agreements in the field to determine progress against the agreements' indicators of success.</p>

Target	Status	Progress
<p><b>Land management advice</b></p> <p>Secure good environmental land management across all landscapes to maintain and strengthen ecological resilience and landscape character using advice, incentive and regulatory levers identified in local tactical plans.</p>	<b>G</b>	<p>We delivered 22,050 face-to-face advisory contacts (including climate change and 're-connection' activity) against a target of 12,500 to support improved land management. We organised 67 Uplands Entry Level Stewardship Scheme events attended by more than 2,400 farmers. Feedback on Natural England's advisers shows that advice quality is rated at 93.7 per cent; adviser knowledge at 97.3 per cent and 98.1 per cent attendees would recommend the events to other farmers. We have established regional teams to begin delivering the Environmental Stewardship Training and Information programme and procured 1,000 one-to-one visits.</p> <p>We managed the provision of 4,500 technical advice contacts (target 4,000) on basic environmental standards and obligations under cross compliance. 671 farmers out of the 722 we offered support to claimed for works to address diffuse water pollution from agriculture in Catchment Sensitive Farming (ECSFDI) priority catchments delivering just under £5m through the ECSFDI Capital Grants programme meeting all deadlines for processing agreements and claims. We delivered advice and incentives to farmers and land managers responsible for over 350,000 hectares of land in target areas in priority catchments to build awareness of, and encourage action to address, diffuse water pollution from agriculture. We exceeded our target for the Aggregates Levy Sustainability Fund Grant Scheme of 50 grants offered and 100 per cent of the initial allocation of £3.5million for 2009/10 with 91 projects accepting grant aid amounting to £4.2 million.</p>

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<b>R</b>	Red	Less than 80% of the indicators for the target delivered

The use and management of the marine environment is more sustainable.

Target	Status	Progress
<p><b>Sustainable use of the sea</b></p> <p>Engage with government and industries to influence sectoral and cross-sectoral policy and planning across the marine environment.</p>	<b>G</b>	<p>Following on from the advice we provided to government and industry to improve sustainability in the marine aggregates and renewable sectors we have also engaged the marine industry more widely in discussions on how marine environmental objectives can be integrated with their aims. We have sustained a high level of engagement with the fishing industry, and with Defra and the European parliament in respect of fisheries reform and the promotion of sustainable fisheries. We have met with the industry's newly formed Marine Protected Area Coalition; consulted on our draft Fisheries and Aquaculture position; and provided advice to Defra's SAIF and IFCA Project Boards and on their recently published Marine Protected Area Strategy.</p> <p>We continued our programme of 'net-to-plate' visits to Hastings, Grimsby, North Shields and West Mersea. In September we launched the '<i>Sea fisheries – steps to sustainability</i>' report detailing the impacts of fisheries management on the marine environment. We have agreed a common position with other UK agencies on the European Commission's Common Fisheries Policy reform Green Paper.</p>

## Progress towards our Strategic Direction

### A secure environmental future

Our vision for the natural environment shapes future thinking and decisions at an international, national, regional and local level.

Target	Status	Progress
<p><b>Integrated vision for the natural environment</b></p> <p>By 2011 produce a clear integrated vision for the natural environment and a land use strategy to secure our vision.</p>	<b>G</b>	<p>We have prepared a draft 'Vision for the Natural Environment 2060' after discussion with 220 people from over 160 organisations – the largest stakeholder engagement yet undertaken by Natural England. In November we launched a vision for the uplands Vital Uplands which introduced 'Eco System Services' to a wider audience. We have built a sound foundation and wide support and begun a package of analysis to support the vision, integrating with other work streams such as the Condition and Quality of England's Landscapes (CQuEL).</p>
<p><b>Land use planning</b></p> <p>The planning system and land-use planning funding streams deliver measurable environmental benefits, in line with Natural England's advice on environmental priorities.</p>	<b>G</b>	<p>We handled 95 per cent of the 20,000 consultation responses within agreed timescales fulfilling our duties as set out in legislation, service standards and other agreements. We have developed new tools to streamline delivery systems in the coming year and established a new national Land Use Planning team to enable us to further improve both productivity and levels of delivery.</p>

Future challenges for the natural environment are identified and transformed into opportunities for conservation and enhancement.

Target	Status	Progress
<p><b>Long term challenges for the natural environment</b></p> <p>Establish and communicate a compelling and robust perspective on the long-term challenges for England's natural environment.</p>	<b>G</b>	<p>In December we launched a range of futures scenarios for the natural environment to help us, our stakeholders and the public think about the implications of future challenges for their lives and the natural environment.</p> <p>We are collaborating with the Environment Agency and Defra to share intelligence about future trends and drivers that may impact on the natural environment. We have produced 2 reports that synthesise and assess the range of futures intelligence; these 'strategic challenges' are produced twice a year. We have used strategic challenges internally to inform planning and have shared them externally.</p>

Key		
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<b>R</b>	Red	Less than 80% of the indicators for the target delivered

Target	Status	Progress
<p><b>Better responses to a changing natural environment</b></p> <p>Inform and enable better responses to the changing needs of the natural environment.</p>	<b>G</b>	<p>We published our report <i>'No Charge? Valuing the Natural Environment'</i> in November which provided a compelling summary that illustrated the value of a healthy natural environment. We have continued to develop the evidence underpinning the ecosystems approach and have begun to test it through pilot partnerships in Yorkshire and Humberside, North West and the South West. We are building the necessary evidence base (of data and maps) to enable the planned implementation in the coming year. The pilots represent a key contribution by Natural England to the wider national work on understanding and testing the ways we use valuation to steer <b>better</b> decisions.</p>

The natural environment is resilient in the face of climate change.

Target	Status	Progress
<p><b>Climate change adaptation</b></p> <p>The UK legislative and policy framework will ensure that the natural environment is central to climate change adaptation and mitigation and will provide a clear approach to relevant sectors.</p>	<b>G</b>	<p>Our advice, that a healthy natural environment underpins climate change adaptation, has been reflected in a number of key government policies and plans, most notably, Defra's Statutory Guidance, the associated Reporting Power and, most recently, Defra's Climate Change Action Plan. The Department's approach to climate change indicators also reflects the proposals we published earlier in the year. Our contribution to Defra's Action Plan ensured that the climate change mitigation component of the Plan reflected the role that environmentally sensitive land management plays in protecting vital carbon stores and reducing greenhouse gas emissions from agriculture. We continue to work with Defra to make the case for carbon budgets that account for soil carbon: a position supported by our report on Peatlands.</p> <p>Our evidence to the Royal Commission on Environmental Pollution and to two select committees successfully promoted the functional value of the natural environment in mitigating and adapting to climate change, with our position being well reflected in the committee's reports and in press coverage. We have since worked closely with Defra on the implications of our evidence and they have decided to make the built environment (and green infrastructure) their priority for adaptation work over the coming year, working with ourselves and the departments for Local Government and Energy and Climate Change accepted our recommendation for a strategic assessment of the capacity for renewable energy and these regional assessments have been commissioned and are being carried out by regional partnership boards, with input from our regional teams.</p>

Key		
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<b>R</b>	Red	Less than 80% of the indicators for the target delivered

Target	Status	Progress
<p><b>Climate change adaptation and mitigation evidence base</b></p> <p>We will provide and communicate a compelling vision of how we will deliver adaptation and mitigation through the use and management of land and sea and develop tools and methods to support this vision.</p>	<b>AG</b>	<p>We launched the <i>'Peatlands: Carbon Storage &amp; Greenhouse Gases'</i> report on the 18th March, demonstrating Natural England's leadership on this issue and providing a valuable input to Defra's new peat policy framework due in 2010/11. Building on the paper presented at an international climate change conference earlier in the year, <i>'Nature conservation in a 4 degree world: a luxury or a necessity?'</i>, our narrative on climate change will form the foundation for a report on 'Nature's Technology' in 2010/11 setting out our key messages on the vital role of the natural environment in achieving society's climate change goals. The national vulnerability assessment map was delayed due to the unexpected unavailability of UKCP 2009 climate change data. Although outside our direct control, the unavailability of the climate change data has resulted in an 'Amber/Green' status for this work area.</p>

## Progress towards our Strategic Direction

### Natural England will be a **distinctive public body** committed to the environment and people

Creating environmental leadership.

Target	Status	Progress
<p><b>Authoritative champion</b></p> <p>Natural England is an authoritative champion for the natural environment.</p>	AG	Throughout the year we met our expectations for coverage of the key issues affecting the natural environment and the good practice that we and our partners are advocating. This included coverage of coastal access, the beehive launch, the issue of ocean acidification, the Campaign for the Farmed Environment and the Landscape Photographer of the Year competition. Awareness amongst stakeholders was up 4 per cent on last year and has increased by 30 per cent amongst key decision makers. However, public awareness of our advocacy remained stable at 27 per cent missing the ambitious target we had set ourselves and resulting in an 'Amber/Green' status for this work area.
<p><b>Strong stakeholder relationships</b></p> <p>Natural England develops strong relationships with stakeholders, for the benefit of the natural environment.</p>	G	We delivered 86 per cent of our national advocacy objectives, exceeding our target of 80 per cent. This included work with major landowning stakeholders such as MoD, Forestry Commission, National Trust and Woodland Trust as part of the Sites of Special Scientific Interest PSA target, and highly successful advocacy in support of catchment schemes in Ofwat's final PRO9 determination. This resulted in the inclusion of 106 schemes, significantly exceeding our initial expectation of 35 schemes. We have implemented a national and regional programme of joint goals with key stakeholders including collaboration with National Parks on agri-environment delivery.
<p><b>Advocating natural environment</b></p> <p>Our people understand Natural England's purpose and priorities and are passionate in advocating on behalf of the natural environment.</p>	G	This year we showcased our support for the natural environment through an organisation-wide awards event and a video narrative by and for staff viewed by over a 1,000 people. We delivered a further stage of our award-winning advocacy, influencing and negotiating training and launched communications training for managers. As a result the Staff Survey shows that 86 per cent of staff understand our delivery priorities, 82 per cent were confident in talking about our purpose and 80 per cent confident in talking about our delivery priorities.

Key		
<b>G</b>	Green	100% of the indicators for the target delivered
<b>AG</b>	Amber Green	Over 90% of the indicators for the target delivered
<b>AR</b>	Amber Red	Less than 90% of the indicators for the target delivered
<b>R</b>	Red	Less than 80% of the indicators for the target delivered

Target	Status	Progress
<p><b>Stakeholders trust our evidence and knowledge</b></p> <p>Our stakeholders trust the evidence and knowledge which we maintain and develop.</p>	<b>AG</b>	73 per cent of stakeholders believe Natural England makes evidence based decisions and 79 per cent of our stakeholders believe we can be trusted in what we say. Both of these results are an increase on 2008/09, but we narrowly missed our challenging target on the former by 2 per cent. 85 per cent of our staff are also more confident than ever that they have the knowledge they need to undertake their roles, exceeding our 2009/10 target by a considerable margin. We also take the management of our knowledge and information assets seriously and have ensured that 99.5 per cent of our staff, (both permanent and temporary), have successfully completed level 1 of the government's on-line security training.

Building capability.

Target	Status	Progress
<p><b>People leadership</b></p> <p>People leadership – people leaders will know what they are accountable for and demonstrate the skills and behaviours that make Natural England a role model for people leadership.</p>	<b>G</b>	We have continued to develop the quality of leadership at all levels within the organisation through, for example, an Executive Leadership Programme, a programme of individual coaching with external coaches and 360 degree feedback for all people leaders. As a result 72 per cent of people leaders now have Personal Development Plans which include leadership development initiatives. We also ensured that 25 per cent of people due to be included in the programme to develop their leadership capability had already made a move this year to develop their leadership capability. Our Staff Survey results show that 50 per cent of leaders have received coaching to improve their leadership practice in their teams.
<p><b>Developing capability</b></p> <p>Skills development – everyone in Natural England has the skills and knowledge that they need, or are working towards gaining them, so that they can carry out their role effectively.</p>	<b>G</b>	Our 'development framework' has proved to be a key tool for staff and we have successfully delivered a range of training, working with operational and technical specialists. Learning and Development products are available for 82 per cent of the themes in our Technical Development Framework (22 out of 27 themes) exceeding our target. Over 1,600 training places have been delivered through Development Framework events and 61 per cent of people are using the Development Framework products as part of their development. 91 per cent of new starters are completing the induction programme within 120 days and rating it good or better, exceeding our 90 per cent target. Our evaluation methodology is now giving us a more accurate picture of the impact of specific programmes.

Target	Status	Progress
<p><b>Organisational contract</b></p> <p>Organisational contract – people understand how they contribute to their team’s and the organisation’s performance and in return we recognise and reward their contribution.</p>	<p><b>G</b></p>	<p>Pulse Survey results in February 2010 showed a very positive 94 per cent of our people understand their contribution to Natural England’s Strategic Direction and Corporate Plan. The survey also showed 70 per cent of our people would recommend Natural England as a good place to work. This was also recognised externally with us being ranked 63rd in the Sunday Times 75 Best Places to Work in the Public Sector in 2010. In terms of how we treat people, we communicated widely the proceedings of the first Natural England Diversity Conference for Managers and promoted days such as International Day of the Disabled Person and awareness of Lesbian, Gay, Bisexual, Transgender (LGBT) History Month. Nine Teams are now participating in a range of initiatives to support our new work experience programme, targeting our under-represented diversity areas. We have achieved good results for all Diversity strands through the recruitment of a number of people from under-represented groups including LGBT, young people, disabled and ethnic minorities.</p>
<p><b>Health and safety</b></p> <p>Embed the Health and Safety Executive sensible risk agenda into Natural England so our leaders and people understand and fulfil their health and safety responsibilities.</p>	<p><b>AG</b></p>	<p>By the end of March we had trained 74 people leaders who all passed the certificated Institution of Occupational Safety and Health (IOSH) Managing Safely course exceeding our 20 per cent target. All teams have identified their strategic risks and have produced Team Health and Safety Action Plans. Teams have reviewed all of their significant Health and Safety related risks exceeding our 95 per cent target. We have trained 771 people in risk assessment using the HSE approach. Our reporting of near misses improved and we exceeded our 50 per cent improvement target recording 209 per cent more this year indicating a significant improvement in health and safety awareness. We recorded a slight increase in reportable and non-reportable incidents with 7 per cent more than last year (166 incidents of which 11 were reportable to HSE) largely due to increased awareness of the procedure. The March Pulse Survey shows that 94 per cent of our people confirm they have seen and understood the Health and Safety policy and understand their personal accountabilities – a great result but slightly short of our very stretching 100 per cent target leading to an ‘Amber/Green’ status for this work area.</p>

Key		
<b>G</b>	Green	100% of the indicators for the target delivered
<b>AG</b>	Amber Green	Over 90% of the indicators for the target delivered
<b>AR</b>	Amber Red	Less than 90% of the indicators for the target delivered
<b>R</b>	Red	Less than 80% of the indicators for the target delivered

Delivering our business.

Target	Status	Progress
<p><b>Business process</b></p> <p>Our systems will support the efficient and effective delivery of services.</p>	<b>AG</b>	<p>We completed the establishment of the index mechanism to gauge the health of our business partnerships during the year with IBM, Atos Origin, and Global Crossing scoring Silver, Silver, and Bronze respectively. However, Defra's Shared Services failed to confirm a satisfactory standard, but the exercise identified a range of specific issues that we will address with them in order to improve their performance. As a result we missed our target to have the partnership with all four of our main suppliers meeting a satisfactory standard and we recorded an 'Amber/Green' for this work area overall.</p> <p>We successfully implemented a programme to increase efficiencies from the delivery of our land management work including the introduction of a simplified Farm Environment Plan (FEP) for Higher Level Stewardship (HLS), a FEP agent allocation process, a pipeline approach to HLS application management, sales training to secure more HLS agreements and improved Genesis systems training for advisors. As a result of this and other measures we have delivered cash efficiency savings of £6.1 million against a target of £4 million. End of year growth in external funding was £8.4 million, exceeding our target of £5 million.</p>
<p><b>Sustainability</b></p> <p>Demonstrate environmental leadership by delivering a 50% net reduction in the carbon emission associated with our estates and our business travel by the end of 2010.</p>	<b>R</b>	<p>We achieved a 29 per cent overall reduction in the combined carbon footprint from our travel and estate (including National Nature Reserves), measured against a 2007 calendar year baseline. Protracted discussions with landlords and partners affected a number of important office moves and made achieving reductions from our estate very challenging and we missed our target for the year.</p> <p>However, we have fully met the targets for business travel through the adoption of new ways of working. We achieved accreditation from the Carbon Trust. We have worked with partners including East of England Development Agency, BT, Sustainable Development Commission, Durham County Council and the RSPB on similar initiatives.</p> <p>We achieved Level 3 of the Government's Sustainable Procurement Flexible Framework, evidenced in our annual report to the Sustainable Development Commission.</p>

Key		
<b>G</b>	Green	100% of the indicators for the target delivered
<b>AG</b>	Amber Green	Over 90% of the indicators for the target delivered
<b>AR</b>	Amber Red	Less than 90% of the indicators for the target delivered
<b>R</b>	Red	Less than 80% of the indicators for the target delivered

Target	Status	Progress
<p><b>Customer services</b></p> <p>An integrated approach to delivery of services to external customers is provided in a way which meets with the standards that we have developed in consultation with them, seeks to reduce any burden they may experience through doing business with us, and is continuously refreshed through collecting, analysing and learning from customer feedback. Delivery of service between Natural England's own teams is similarly underpinned by robust standards and learning from feedback.</p>	<b>AG</b>	<p>Early in the year we launched our new customer service standards, 'Our promise to you' and our new monitoring system shows that we met our published customer service standards in at least 95 per cent of cases. Our Enquiry Service responded to 17,890 enquiries within standard (100 per cent). 100 per cent of Regulatory Service Open Access Contact Centre enquiries and 89 per cent of HQ correspondence met the standard. 98.2 per cent of Freedom Of Information/Environmental Information Regulations requests met the standard. Our Central Telephone Operator service recorded a 94 per cent performance. The annual Customer Survey included farming customers for the first time. There was a fall of two percentage points in familiarity and no change on satisfaction against targets of three percentage points increases in each. However, comparing results for our non farming customers (ie. comparing like for like) shows a rise of two percentage points to 73 per cent satisfaction. We established a new baseline for reducing the burdens placed on our customers and ensured that, over the course of the year, contract strategies were completed for 84 per cent of our contracts over £25,000 to improve service delivery – well in excess of our 25 per cent target.</p>

# Annual Management Report

## History and statutory background

Natural England 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 became fully functional on 1 October 2006 as a result of the merger of English Nature, the majority of the Countryside Agency (the remainder formed the Commission for Rural Communities) and the Rural Development Service (RDS) which was formerly part of the Department for Environment, Food and Rural Affairs (Defra).

Natural England is predominantly financed by annual Grant-in-Aid (GIA) from Defra. Request for Resources 1. [Under Part I, Chapter 1, Section 13(2) (e) of the Act, Natural England is empowered to accept gifts which are conducive or incidental to the discharge of its functions, which are defined throughout Chapter 1]. The financial statements are prepared in a form determined by the Secretary of State for Environment, Food and Rural Affairs, with the approval of the Treasury.

The Joint Nature Conservation Committee (JNCC) was established on 5 November 1990 by Section 128(4) of the Environmental Protection Act 1990 and reconstituted by Part II of the NERC Act 2006. The JNCC is funded on an agreed proportionate basis by the Department for Environment, Food and Rural Affairs (Defra), Natural England, Scottish Natural Heritage (SNH), the Countryside Council for Wales (CCW) and Department of Environment for Northern Ireland (see note 1.3 in Notes to the financial statements).

In accordance with the Natural Environment and Rural Communities Act 2006, Natural England's general 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.

Natural England's general purpose 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).

## Financial commentary

In Natural England's third full year of operation following vesting on 1 October 2006, the attention has focussed on making step changes in delivery to ensure that we meet our agreed Corporate Plan targets. Our major financial objective in 2009/2010 was to deliver to our budget whilst achieving our outcomes. The annual report indicates the growth in activity in 2009/10 and in particular increases in our delivery of all agri-environment schemes under RDPE, Marine work and the Walking the way to Health scheme funded by the Department of Health. In order to achieve this growth savings made in back office staff costs in the previous financial year were invested in front line staff and consequently headcount and staff costs have risen in the period.

This is the first year that the Natural England Financial Statements have been prepared using International Financial Reporting Standards (IFRSs). In order to prepare for this change we have had to achieve a number of milestones with our auditors examining our transition accounts at each stage. The most significant impact of the application of IFRS is the inclusion in the balance sheet of fixed assets owned by IBM to which

Natural England has a right of use (see note 10 to the accounts).

Due to the accounting rules, the GIA due to Natural England for 2009/2010 cannot be shown as income, and instead appears in the revenue reserve. The revenue reserve shows a deficit due to the fact that Natural England should not draw down the cash for its GIA until it is required to meet its obligations. The underlying performance for the year to 31 March 2010 was that on net expenditure of £230m we had a small underspend on revenue of £775k (0.3%) and a small overspend on our capital budget of £207k (5.5%).

Whilst we have a one year budget for 2010/11 and one year Corporate Plan, there is a likelihood that actions by the new Government to reduce the public sector deficit will result in in year budget reductions and changes to our delivery. Looking further forward to the next Comprehensive Spending Review period 2011/14 we may receive further reductions in our budget. We have established a Performance and Efficiency Programme to carry out a thorough review of all of our processes and costs and this will be the vehicle through which future budget challenges will be delivered. There will be a number of risks associated with a significant change programme: including how it is funded; the impact on delivery of our Outcomes; the impact on our partners, stakeholders and customers; maintaining strong financial management disciplines; and leading our staff through this change.

## Available resources

The principal resource available to Natural England is its people. 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 has sought to protect core funding for the natural environment and in 2008-09 we gave key stakeholders such as

Areas of Outstanding Natural Beauty (AONB), Local Authorities for National Trails and Biodiversity partners three year guarantees of funding to March 2011. Natural England invested £3.9m (2008/2009 £4.7m) in additional fixed assets to contribute to the delivery of its business objectives. Over and above this, as described in Outcome 1, Natural England manages directly, or through partners, on behalf of the nation, 94,341 hectares of National Nature Reserves.

## Risks and uncertainties

In the Statement on Internal Control on pages 62 to 68 there is a full discussion of the risk and control framework that operates in Natural England. Areas that presented significant risks to the system of internal control in 2009/10 were:

- the Shared Services Directorate performance and that of the Oracle system;
- the arrangements for information technology support through the Defra provided E-enabling agreement with IBM;
- the final stages of implementation of a major Corporate Services Review improving processes and procedures to reduce back office costs and increase quality of service; and
- implementation of the estates rationalisation programme and associated ways of working.

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

A detailed consideration of what Natural England has achieved, including implications for the future, is given for each outcome of the organisation in the earlier sections of this Report.

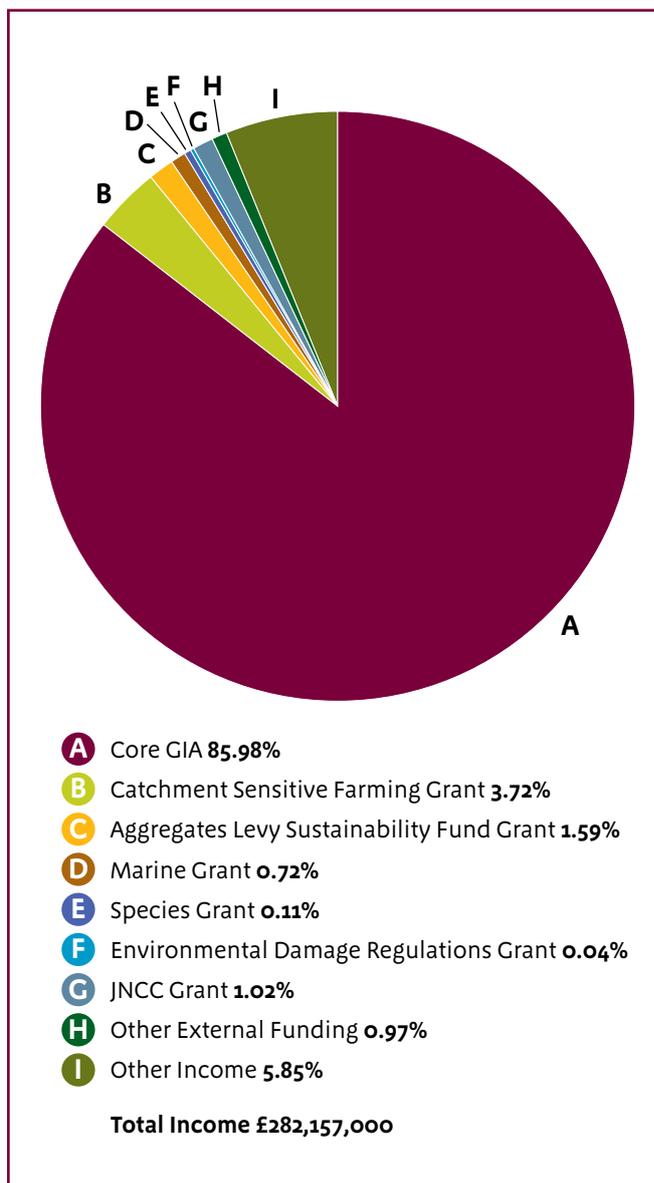
The Statement of Financial Position at 31 March 2010 shows net liabilities of £13.9m. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from Natural England's other sources of income, may only be met by future grants or GIA from Natural England's sponsoring department, the Department for Environment, Food and Rural Affairs. 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 2010/2011, taking into account the amounts required to meet Natural England's liabilities falling due in that year, has already been included in the Department for Environment, Food and Rural Affairs estimates for that year, which have been approved by Parliament and there is no reason to believe that the department's future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

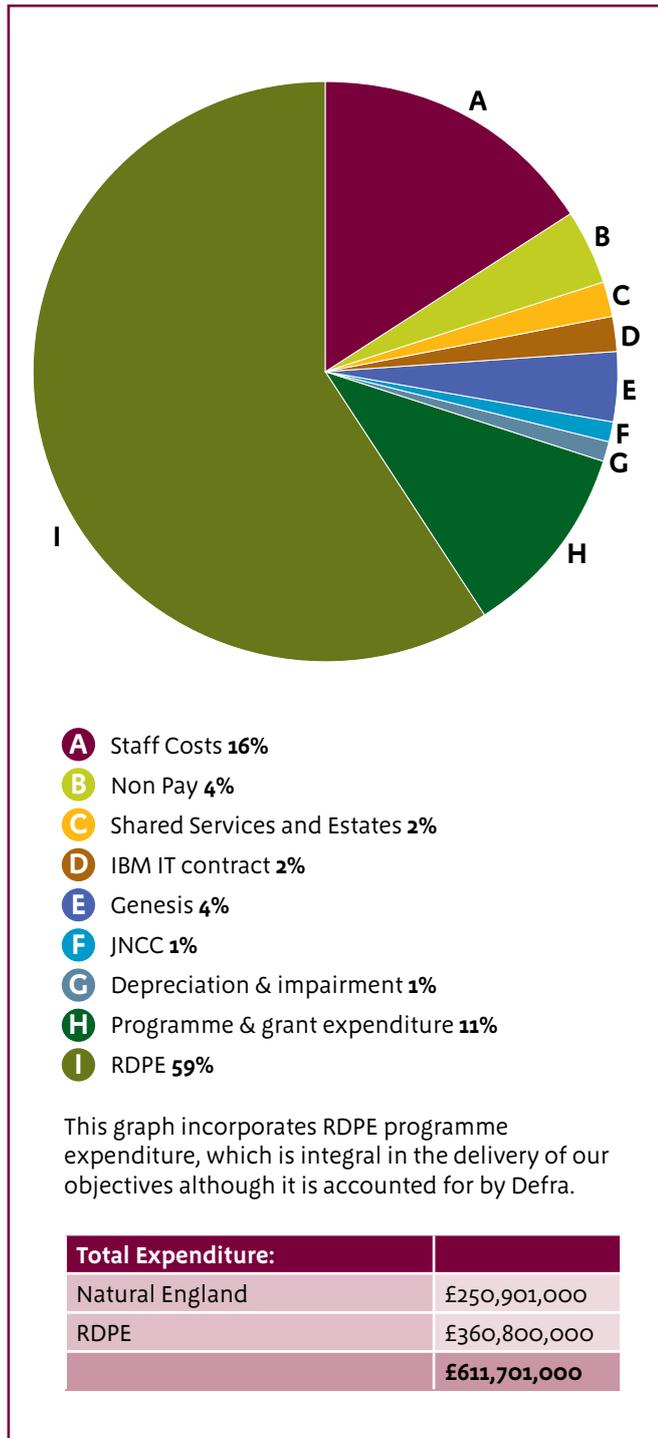
## Financial performance summary

### a) Where the money to fund Natural England comes from

Natural England's main source of funding is Grant-in-Aid from the Department for Environment, Food and Rural Affairs. In 2009/10 Natural England's total GIA was £262,918,000, which made up 93% of its gross income. A breakdown of the remainder is shown in notes to accounts 8 and 9.1. The full analysis is shown below:



## b) The main areas the money is spent on



Our staff costs are driven by the number of people we employ. Natural England delivers the outcomes for the Natural Environment through a variety of sources including GIA and other income it receives, but also through partnerships with other organisations who fund work for the natural environment directly.

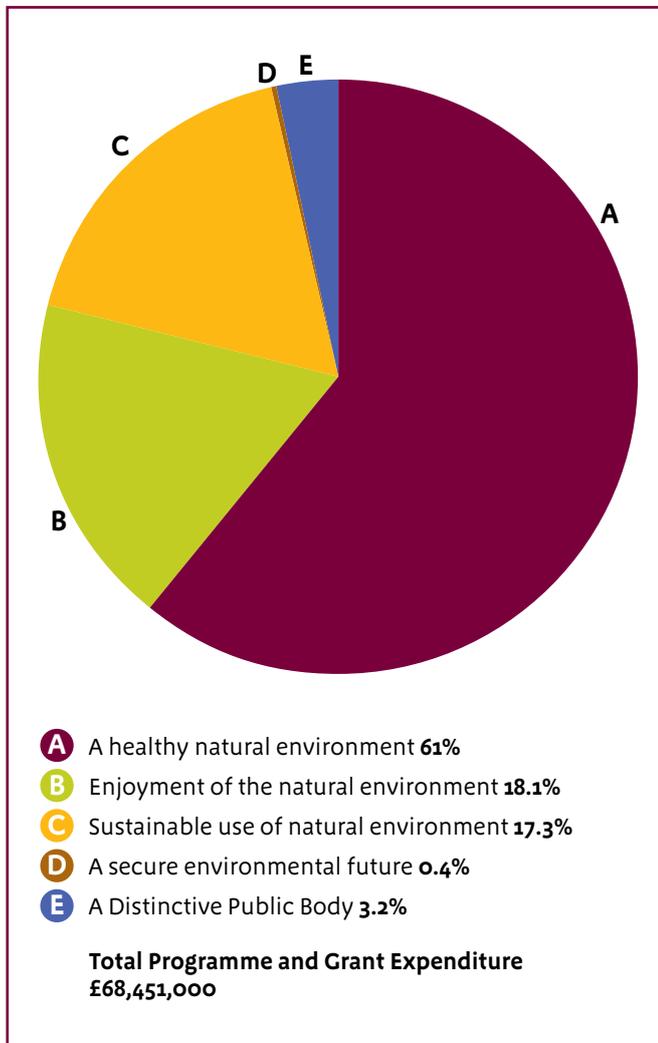
Natural England is also responsible for the management and delivery of the Rural Development Programme for England (RDPE) which represented a further £360.8m (£363.2m 2008/09) paid to landowners and farmers for the environmental benefits delivered in 2009/10. This programme spend is accounted for by Defra, but Natural England incurs the cost of delivering this programme directly.

A detailed breakdown of the main categories of staff costs, other operating costs, programme, grant and information and publicity expenditure can be seen in the notes 6 and 7 to the accounts.

## c) How the programme and grant expenditure relates our outcomes

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

The following analysis is the direct expenditure on our outcomes and excludes the staff and overhead costs.



## Research and development

Natural England spent £8.5m (£7.2m in 2008/09 (restated)) on national science and evidence gathering. Major areas of spend are Biodiversity, Marine and Land Management, but also include Landscape, People and Access and Climate Change. The spend is targeted at those areas that are essential to deliver the organisation's strategic outcomes. It covers both monitoring and surveillance of the state of our natural environment, and wider research to tackle specific priority evidence needs.

The costs arising from developing an intangible asset (both internal and external) are capitalised if and only if, a number of criteria as outlined in International Accounting Standard 38 are met. No development expenditure in relation to the creation of intangible assets was capitalised in 2009/10 nor 2008/09.

All non capitalised development expenditure and all research expenditure are written off in the year they occur to the net expenditure account.

## Payment of trade and other payables

On the 8th October 2008 the Prime Minister committed government organisations to speeding up the payments process, paying suppliers wherever possible within ten working days. The Department for Business Enterprise and Regulatory Reform issued new guidance on the method of measurement which is based upon the receipt of valid invoices at the correct address and suppliers being notified quickly about any disputes. During 2009-10 99% (98% 2008-2009) of Natural England's payments to suppliers met these criteria.

As at 31 March 2010 the amount owed to trade payables compared to the total sum invoiced by suppliers during 2009/10, expressed as a number of days is 18.6 days.

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. No late payment interest was incurred in either 2009/10 or 2008/09.

## Employees

People are Natural England's most valuable resource. By valuing and respecting each individual we aim to create an organisation where

the inclusive culture retains and attracts skilled and innovative people who have the talent to turn our organisational goals into reality. Valuing others will also mean we give an 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 diversity strand champions, a steering group and forty Diversity Ambassadors. This year we have achieved a Bronze Award from the Employers Forum on Disability, held a diversity conference for our leaders, made a submission to Stonewall (Britain's leading lesbian, gay and bisexual equality organisation) Top 100 employers, retained the two ticks symbol and completed a disability audit of our National Nature Reserves. These activities will continue in 2010-2011 along with work experience programmes, including supporting young unemployed people and internships for unemployed graduates. Natural England ensures that it has fair employment terms for its employees. In 2008-2009 we completed an Equal Pay Review of our 2008 pay award and this informed our reward strategy for 2009-2010 which resulted in a 2 year pay deal specifically supporting lower paid employees.

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, 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 also established our Development Framework and continued to introduce new programmes across all strategic outcomes to underpin this. To cater for local skills development needs and help establish team learning and development groups we devolved a training budget that includes travel and carbon to each team for them to deliver local training needs. To support our Executive Board and Executive Leadership Group we designed and delivered a Value Leadership Programme which involved external and internal stakeholders to strengthen the outputs of the programme which supports our leader's development as well as creating stronger working relations with our partners.

In 2009 we participated in the Best Companies Survey which resulted in us being ranked as 63rd in the Sunday Times 75 Best Places to work in the Public Sector 2010 – we were also recognised as an employer to watch. Our 2009 Staff Survey also showed further improvements in how many of our people view us as a good employer, rising from 27% in 2007 to 74% in 2009.

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 of the parties, is highly valued by both. It provides an increased opportunity to address issues of mutual concern at the earliest opportunity and within an environment that supports both pragmatic and innovative approaches during a time of tremendous change.

During 2009-2010, Natural England employees incurred an average of 4.87 days sick leave (5.95 days 2008-2009). This remains below the overall civil service average, of around 9 days per employee.

## Social Community Statement

Natural England and its predecessor bodies have historically had more work to do in reaching out to diverse communities in England. We are actively working to engage with these communities through our volunteer network and we benefit greatly from the enrichment and learning that their involvement brings.

Natural England is looking for ways to improve the service we give to our customers, and seeks to provide them with the highest possible standard of service. It has adopted an integrated approach to service delivery and defined a set of standards and commitments. It collects and monitors customer feedback and uses these complaints, compliments and suggestions to further improve the quality of its service. Special access arrangements are being developed on targeted National Nature Reserves (NNRs) and a review of the accessibility of our NNRs is to be made available via the internet so that customers know what to expect and can make informed choices.

Natural England is committed to contributing to achieving a strong, healthy and just society. We aim to do so by promoting personal wellbeing, social cohesion and inclusion and creating equal opportunity for people in existing and future communities.

## Sustainability and environmental reporting

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

In 2008-09 Natural England reported for the first time on sustainability issues. In 2009-10 new guidance was issued by HM Treasury 'Sustainability Reporting in the Public Sector'

which produced a framework for public sector bodies. This guidance is to be adopted by the Government's Financial Reporting Manual (FRM), with effect from 1 April 2011 [for more information see [http://www.hm-treasury.gov.uk/frem\\_sustainability.htm](http://www.hm-treasury.gov.uk/frem_sustainability.htm)]. In line with this guidance Natural England has chosen to adopt early the reporting framework in 2009-10, and will report on how our environmental performance supports sustainability. In 2009-10 not all aspects required in the reporting framework are currently monitored, but we will develop a baseline for these missing items during 2010-11. Natural England's Sustainability and Environment report is attached at Annex 1.

## 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. A full actuarial valuation was carried out as at 31 March 2007. For 2009/2010 employers' contributions were payable to the PCSPS at one of the four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. The contribution rates reflect benefits as they accrue, not the costs as they are actually incurred and reflect past experience of the scheme. Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Further details are described in paragraph 1.21 of the Accounting Policies and note 6.3.

Poul Christensen (Chair) is included in a separate pension scheme set up by Defra, which is described as 'by analogy to the main scheme'. An actuarial valuation has been carried out by the Government Actuary Department as at 31 March 2010 and the present value of the scheme liabilities is included within Natural England's Statement of Financial Position. Further details are described in the Remuneration Report and note 6.4.

## Corporate governance

Natural England aims for the highest standards in corporate governance. Natural England has throughout the year had risk management and review processes in place so as to be able to review the effectiveness of our system of internal control. Natural England has prepared a Statement on Internal Control for 2009/2010 (see pages 62 to 68), which shows that Natural England is compliant with guidance on internal control.

## Public Sector Information Holders

Natural England is a Public Sector Information Holder, and has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

## Personal data related incidents

Government should provide particular protection for personal data whose release or loss could harm or cause distress to individuals.

Natural England has established governance structures to ensure that information assets are handled appropriately. These include identifying risk owners, undertaking quarterly risk assessments and providing training to key staff. Information data handling courses are embedded in induction processes and the staff development framework and all staff have completed the level 1 online information handling course.

Although there have been no reportable incidents of personal information data loss to the Information Commissioner's Office during the year, a limited release of personal data occurred in March 2010. This loss has been thoroughly investigated and our processes and procedures are being revised to incorporate recommendations aimed to prevent future incidents. A series of training events will be held to ensure these revised processes and procedures

are understood and implemented. Defra has been advised of the incident and apologies have been made to those people affected by the release.

## Responsibility for the direction of Natural England

### 1. Non Executive Board

Each Member of the Board of Natural England is appointed by the Secretary of State for Environment, Food and Rural Affairs, typically for a term of three years. Members may be considered for re-appointment in accordance with guidance from the Office of the Commissioner for Public Appointments. Legislation provides for the appointment of no fewer than eight and up to sixteen Members. At 31 March 2010 there were eleven non-executive Members including the Chair.

The composition of the Board for 2009-2010 was as follows:

Mr Poul Christensen	Chair
Dr Helen Phillips	Chief Executive
Mr Peter Allen	
Ms Sarah Burton	(to 30th September 2009)
Professor Lynn Crowe	
Professor Michael Depledge	(to 30th September 2009)
Ms Catherine Graham-Harrison	
Mr Tony Hams	
Professor David Hill	
Dr Joe Horwood	(from 1 October 2009)
Mr Doug Hulyer	
Professor David Macdonald	
Mr Christopher Pennell	
Ms Pam Warhurst	(to 31st December 2009)
Mr Andy Wilson	

We would like to thank three of our founding Board Members, Sarah Burton, Michael Depledge and Pam Warhurst, for their valuable contribution to the development of Natural England. They have now stepped down and we have welcomed one new Board Member, Joe Horwood, who brings a wealth of experience to Natural England's Board.

Full details concerning the Members of the Board are given in the Board Members' section of this report. The Audit and Risk Committee is chaired by Christopher Pennell, the other members are Catherine Graham-Harrison, David Hill, Joe Horwood and Ian Scott as an external member. The Science Advisory Committee is chaired by David Macdonald: the other members are Lynn Crowe, David Hill and Joe Horwood. Board members also participate in Board Outcome Groups which shape future direction and policy of our four outcomes, together with a regional advocacy role.

Board Members complete Natural England's Register of Interests, which is open for public inspection at its meetings and is included as part of this report. Accountability Statements are in place for the Chair, Board Members and each of the other main roles in the organisation's structure. There are usually four Board meetings annually: these meetings are held in public. Further workshops, seminars and site visits are arranged on topical issues.

## 2. Executive Management Board

The composition of the management board from 1 April 2009 was as follows:

Dr. Helen Phillips	Chief Executive
Mr Jim Smyllie	Executive Director Regional Delivery
Dr Tom Tew	Chief Scientist
Mr Guy Thompson	Executive Director External Affairs
Mr Robin Tucker	Executive Director National Delivery

Mr Dave Webster	Executive Director Corporate Services
Mr Andrew Wood	Executive Director Evidence and Environmental Analysis

## Accounts direction

The accounts have been prepared in a form determined by the Secretary of State for the Department for Environment, Food and Rural Affairs with the approval of the Treasury in accordance with Schedule 1, Section 24(3) of the Natural Environment and Rural Communities Act 2006. Natural England was issued with its accounts direction on 27 September 2006.

## Auditor

Under Schedule 1, Section 24(4) of the Natural Environment and Rural Communities Act 2006, the Comptroller and Auditor General shall examine, certify and report on the statements of account. The cost of work performed by the auditor for statutory audit work in respect of the financial year 2009/2010 is £165k for the Annual Accounts audit (2008/2009 £180k).

So far as I am aware, there is no relevant audit information of which Natural England's auditors are unaware and I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that 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. The Chief Executive and Executive Directors are employed under permanent contracts.

## Salary

'Salary' includes gross salary; performance pay or bonuses; overtime and any other allowance to the extent that it is subject to UK taxation. Board Members' remuneration is determined by the Department for Environment, Food and Rural Affairs.

## Benefits in kind

The monetary value of benefits in kind covers any benefits treated by H.M. Revenue and Customs as a taxable emolument.

## Cash Equivalent Transfer Values (CETV)

This 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 members' accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by the 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 pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just

their service in a senior capacity to which disclosure applies. The CETV figures and other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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 effectively funded by the employer. It does not take into account 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 months notice.

Compensation if due, would be paid in accordance with the Civil Service Compensation Scheme.

## Remuneration (audited information)

The salaries 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.

Board Members	Period of appointment	Days service 2009/2010	2009/2010	2008/2009
			Salary, including performance pay £000	Salary, including performance pay £000
<b>Chair</b>				
Martin Doughty (Former Chair)	Until his death on 04/03/2009	0	n/a	65-70 <sup>Note a</sup>
Poul Christensen (Current Chair)	To 31/12/2012	156	70 – 75	40-45
<b>Members</b>				
Peter Allen	To 30/09/2011	37	10 – 15	10-15
Melinda Appleby	To 30/09/2008	0	n/a	5-10 <sup>Note b</sup>
Sarah Burton	To 30/09/2009	11	0 – 5 <sup>Note g</sup>	10-15
Roger Clarke	To 30/09/2008	0	n/a	5-10 <sup>Note c</sup>
Lynn Crowe	To 30/09/2010	41	10 – 15	10-15
Merrick Denton-Thompson	To 30/09/2008	0	n/a	5-10 <sup>Note d</sup>
Michael Depledge	To 30/09/2009	10	0 – 5 <sup>Note h</sup>	10-15
Catherine Graham-Harrison	To 31/12/2011	43	10 – 15	0-5 <sup>Note e</sup>
Tony Hams	To 30/09/2011	50	15 – 20	10-15
David Hill	To 30/09/2012	55	15 – 20	15-20
Joe Horwood	To 30/09/2012	47	0	n/a
Doug Hulyer	To 30/09/2010	47	15 – 20	10-15
David Macdonald	To 30/09/2011	43	10 – 15	10-15
Christopher Pennell	To 30/09/2010	49	15 – 20	15-20
Pam Warhurst	To 31/12/2009	41	10 – 15 <sup>Note i</sup>	10-15
Andy Wilson	To 31/12/2011	34	10 – 15	0-5 <sup>Note f</sup>

No Benefits in kind were paid in either 2009/10 or 2008/09.

## Notes:

Note:	Period		Actual expenditure £'000	Full year equivalent £'000
	From	To		
a)	01/04/2008	04/03/2009	65-70	70-75
b)	01/04/2008	30/09/2008	5-10	10-15
c)	01/04/2008	30/09/2008	5-10	10-15
d)	01/04/2008	30/09/2008	5-10	10-15
e)	01/01/2009	31/03/2009	0-5	10-15
f)	01/01/2009	31/03/2009	0-5	10-15
g)	01/04/2009	30/09/2009	0-5	5-10
h)	01/04/2009	30/09/2009	0-5	5-10
i)	01/04/2009	31/12/2009	10-15	15-20

Dr Helen Phillips is a Board Member in addition to her role as Chief Executive; her disclosures are included under the Executive Directors section.

Joe Horwood is currently employed by CEFAS, as their Chief Scientist and is also a Non-Executive Advisory Director. For this reason he is not eligible to be paid for his duties as a member of the Natural England Board (although he can claim expenses). Dr Horwood's employment is due to cease with CEFAS with effect from 30 June 2010, and from this time he will be paid directly by Natural England for his duties as a member of the Board.

Board Members have no entitlement to bonuses, 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').

## Remuneration (audited information)

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.

Executive Directors	Appointment date	2009/2010	2008/2009
		Salary, including performance pay £000	Salary, including performance pay £000
<b>Chief Executive</b>			
<b>Helen Phillips</b>	27/02/2006	155-160	145-150
<b>Executive Directors</b>			
<b>Jim Smyllie</b> Executive Director, Regional Delivery	01/10/2008	95 – 100	40 – 45 <sup>Note a</sup>
<b>Tom Tew</b> Chief Scientist	16/04/2007	85-90	85-90
<b>Guy Thompson</b> Executive Director, External Affairs	19/06/2006	95-100	95-100
<b>Robin Tucker</b> Executive Director, National Delivery	15/09/2008	115 – 120	55 – 60 <sup>Note b</sup>
<b>Dave Webster</b> Executive Director, Corporate Services	04/09/2006	110-115	100-105
<b>Andrew Wood</b> Executive Director, Policy & Evidence	01/04/2007	100-105	100-105
<b>David Young</b> Executive Director, Strategy and Performance	27/02/2006 to 30/04/2008	n/a	10 – 15 <sup>Note c</sup>
<b>James Marsden</b> Acting Executive Director, Policy & Evidence	01/03/2008 to 30/09/2008	n/a	30 – 35 <sup>Note d</sup>

No Benefits in kind were paid in either 2009/10 or 2008/09.

### Notes:

Note:	Period		Actual expenditure £'000	Full year equivalent £'000
	From	To		
a)	01/10/2008	31/03/2009	40-45	80-85
b)	15/09/2008	31/03/2009	55-60	110-115
c)	01/04/2008	30/04/2008	10-15	90-95
d)	01/04/2008	30/09/2008	30-35	65-70

The Non Executive Board agrees the Chief Executive's performance objectives each year, scrutinises each quarter the performance of the organisation 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, who is on a permanent contract, is eligible to receive a non consolidated performance payment of up to a maximum of 15% of her current salary.

The non consolidated performance related pay of the other Executive Directors was determined by the Chief Executive and is up to a maximum of 15%. In 2009-10 consideration was given to guidance issued by Cabinet Office on the levels of non consolidated performance payment for Senior Staff. To show clear leadership the Chief Executive took these principles into consideration and capped the level of payments to the Executive Directors. The total performance related payments (including National Insurance) paid in 2009-10 for 2008-09 performance was £74,882 (2008-09 £73,479).

## Pension benefits (audited information)

	Total accrued pension at age 60 at 31/03/10 and related lump sum (LS) £000	Real increase in pension and related lump sum at age 60 £000	CETV at 31st March 2010 £000	CETV at 1st April 2009 £000	Real increase in CETV £000
<b>Chair</b>					
Poul Christensen	0 – 5 LS 0	0 – 2.5 LS 0	57	30	22
<b>Chief Executive</b>					
Helen Phillips	20 – 25 LS 0	2.5 – 5 LS 0	270	219	33
<b>Executive Directors</b>					
Jim Smyllie	15 – 20 LS 55 – 60	2.5 – 5 LS 7.5 – 10	405	321	62
Tom Tew	15 – 20 LS 55 – 60	0 – 2.5 LS 2.5 – 5	321	279	23
Guy Thompson	5 – 10 LS 0	0 – 2.5 LS 0	56	38	13
Robin Tucker	0 – 5 LS 0	2.5 – 5 LS 0	38	13	20
Dave Webster	45 – 50 LS 0	2.5 – 5 LS 0	628	548	46
Andrew Wood	5 – 10 LS 0	0 – 2.5 LS 0	161	129	21

No Employer contributions were paid to partnership pension accounts in 2009/10. Board Members are not entitled to join the PCSPS pension scheme.

*Helen Phillips*

Dr Helen Phillips  
Accounting Officer and Chief Executive  
28 June 2010

# 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 HM Treasury, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed and disclose and explain any material departures in the financial statements; and

- 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 responsibilities of an Accounting Officer, 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, are set out in *Managing Public Money*, published by HM Treasury.

As Chief Executive of Natural England I have responsibilities that, together with the Chief Executives of the Countryside Council for Wales, Scottish Natural Heritage and the Department of Environment for Northern Ireland, include that of the Joint Accounting Officer for the Joint Nature Conservation Committee. The Chief Executive for Natural England has, as directed by the sponsoring Departments, the lead responsibilities for the day to day functions of the Accounting Officer of this Committee.

Dr Helen Phillips, Chief Executive

# Statement on Internal Control

## Scope of responsibility

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 within 'Managing Public Money'.

Natural England's Board sets the strategy and overall programme of work and monitors its implementation. There is also a clear governance process for both the Board and Executive.

The Board governance includes:

- a Management Statement detailing accountabilities and responsibilities;
- arrangements for planning, budgeting and control, and external accountabilities. This is supported by the Financial Memorandum, which sets out the financial framework within which Natural England is required to operate;
- a Strategic Statement describing how the Board discharges its responsibilities; and
- the terms of reference of the Audit and Risk Committee (ARC).

The Executive governance shows:

- who is accountable for delivery of strategic objectives and how the Executive Board, Executive Leadership Group (ELG) and Regional and National teams interact to achieve that delivery;
- the Financial and Non-Financial Schemes of Delegation;
- guidance on regularity and propriety, the anti-fraud policy and procedure; and
- the terms of reference for Internal Audit.

Natural England also has a whistle blowing procedure designed to comply with the Public Interest Disclosure Act 1998.

As part of the process for agreeing the Corporate Plan for 2009/10, Natural England carried out consultations and held discussions with officials at the Department for Environment, Food and Rural Affairs (Defra). The issues discussed included Natural England's contribution to the delivery of high level priorities and targets, corporate level risks and financial plans. There was similar interaction between Natural England and Defra whilst agreeing the Strategic Direction for 2008-13 and the associated Corporate Plan.

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Natural England policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Natural England for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## The risk and control framework

The ARC has approved the Natural England Risk Management Assessment Framework and reviewed actions taken to manage risk and the Strategic Risk Register (SRR). The Executive Board has consulted with the ELG and other staff to inform their review of the SRR and the register is used by the Head of Internal Audit to ensure that the Internal Audit Programme is focussed on those areas of highest risk.

An ELG governance group has been established to oversee day to day governance, risk and internal control issues and assist the Accounting Officer to assess their effectiveness.

Natural England's overall approach to risk is strongly influenced by its key functions and duties as a Non-Departmental Public Body (NDPB). It is prepared to take considered risks to deliver some innovative work. It has a much lower risk appetite in areas where it has explicit statutory responsibilities (where risk taking may lead to legal challenge) or where there are formal processes expected as part of its generic duties as an NDPB.

Control is exercised through the Executive Board, the ELG, the Programme and Project Assurance Board, Programme and Project Boards. Delivery agreements exist with individual teams that allocate responsibility for meeting the corporate targets in our Corporate Plan. The performance of each team is measured each quarter against targets in the Corporate Performance Management System and a performance status is generated by the system. Quarterly reviews of each team are undertaken by ELG members to monitor performance, assess progress against targets, highlight risks to delivery and identify corrective action. Monthly or weekly reporting is implemented where delivery is at risk against a major target.

Members of staff are informed about risk management through guidance on the preparation of risk registers that are produced and maintained for each team, projects and other business activities. Natural England's corporate governance staff are aware of best practice in the public sector and have promulgated this through the regular revision of guidance and provision of training to senior managers in the organisation.

## Joint Nature Conservation Committee (JNCC)

JNCC discharges the international and a range of the UK nature conservation functions of Natural England, Scottish Natural Heritage, Countryside Council for Wales, the Council for Nature Conservation and the Countryside Northern Ireland. The JNCC, a committee of non-departmental public bodies, is itself classified as an executive NDPB.

The Chief Executives of Natural England, Scottish Natural Heritage, the Countryside Council for Wales and the Permanent Secretary of the Department of Environment for Northern Ireland jointly have Accounting Officer responsibilities for the JNCC. Acting as lead Accounting Officer on behalf of the funding bodies I delegate certain Accounting Officer responsibilities in respect of the JNCC to the JNCC Managing Director, and may withdraw these delegations if I believe that the incumbent is no longer suitable for the role. These arrangements, and the details of delegation, are set out in the JNCC Accountability Framework, the Management Statement and the Financial Memorandum, all of which are agreed by the Chief Executives of the funding bodies.

A key element in monitoring the control environment of JNCC exists through the membership by Natural England Board Members of the Joint Committee and the JNCC Audit and Risk Management Committee (ARMC). JNCC has its own ARMC comprising Joint Committee members and external members and one of its members was appointed to the Joint Committee by Natural England. The Managing Director of JNCC is personally responsible for safeguarding the public funds for which he has charge; for ensuring propriety and regularity in the handling of those public funds and assets, and for the day-to-day operations and management of the JNCC. A statement on the systems of internal control operating within the JNCC, made by the Managing Director, is included in the JNCC Annual

Report and Accounts. JNCC's ARMC provides its annual report to Natural England's ARC.

As lead Accounting Officer I ensure that:

- there is an adequate statement of financial relationship between the Department, devolved administrations, the administration in Northern Ireland, GB conservation bodies and the JNCC (in a financial memorandum);
- the financial and other controls applied by the JNCC are appropriate and sufficient to safeguard public funds and the JNCC's compliance with those controls is effectively monitored;
- the internal controls applied by the JNCC conform to the requirements of regularity, propriety and good financial management; and
- a risk assessment of the JNCC's activities is undertaken periodically.

I gain additional assurance on the controls within JNCC by:

- attending meetings with the Chief Executives of each country's body and JNCC's Managing Director; and
- reviewing JNCC's plans and financial and performance information.

I have been advised that in 2009/10, five payments were made without the appropriate authorisation being sought or obtained from Natural England and Defra as required under JNCC's Financial Memorandum. One has subsequently been approved retrospectively by the Treasury. Natural England is not prepared to approve these payments which total £255k and relate to early retirement and severance payments, as the business cases which have been presented do not represent value for money. As a result the NAO will be qualifying the regularity opinion on the JNCC 2009-2010 accounts.

## Capacity to handle risk

The Risk Management Framework in Natural England seeks to embed risk management in its business processes. However, I recognise that visibility of the risks of the organisation is important for monitoring and controlling against the risk appetite of Natural England. Therefore, the following controls also exist:

- a strategic risk register (SRR) which is reviewed by the Executive Board and the ARC on a quarterly basis and the Board at least annually. We also actively consult stakeholders and partners in generating the SRR;
- a Risk Management Action Plan for each risk with the actions shown to mitigate and manage the risks;
- subsidiary risk registers at delivery agreement, project and team level; and
- quarterly performance reviews by ELG members which assess risk as part of the balanced scorecard for each team.

## Information risk management

Natural England is not a major holder of protected personal or otherwise sensitive information. However, recent experience across government has shown that failure to manage information risks well can have a very big impact on our reputation.

We have established robust information risk governance structures. The Executive Director Corporate Services is Natural England's Senior Information Risk Owner (SIRO) and is responsible for information risk. Information Asset Owners (IAOs) are in place and take responsibility for the confidentiality, integrity and availability of key information assets and conduct quarterly information risk assessments. Information and IT Security specialists contribute by assessing and addressing overarching background information risks.

Natural England's Information Security Management System project continues to deliver against HMG information risk policy. 98% of the Data Handling Review (DHR) measures have been completed and all high risk, and medium risk, measures have been addressed. All staff baselined at November 2009 have completed and passed Level 1 of the online Information Handling course. The course is now imbedded in the induction process and staff development framework. During 2009-10 an internal audit of Natural England's performance against the Government security measures was undertaken. This reported a number of recommendations which a project was set up to address. These should be all completed by October 2010, with the majority by July 2010. The results, conclusions and mitigation plans are shared with the SIRO, the Audit and Risk Committee and the Executive Board.

Although there have been no reportable incidents of personal information data loss during the year, a limited release of personal data occurred in March 2010. This loss has been thoroughly investigated and our processes and procedures are being revised to incorporate recommendations aimed to prevent future incidents. A series of training events will be held to ensure these revised processes and procedures are understood and implemented. Defra has been advised of the incident and apologies have been made to those people affected by the release.

## Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the Executive Directors, ELG, Heads of Teams, Team and Delivery Managers and Team and Delivery Leaders within Natural England who have responsibility for the development and maintenance of the internal control framework. My review is supported by the work of the internal auditors, comments made by external auditors in their management letter and

other reports and advice from the ARC and the Board.

During 2009-10 the Executive team has been able to achieve a significant amount of progress towards developing Natural England's controls aided by the establishment of the ELG governance group. We continue to develop our understanding of the assurance that is available to us and have mapped an initial view of the overall assurance landscape and the extent and level of assurance that is available to us over the individual elements of that landscape using information from both internal and external sources. The continual improvement of the control environment is a key part of Natural England being a distinctive public body.

The performance of Defra Shared Services (SSD) control environment has also improved and the level of assurance for the overall control framework as given by Defra's Head of Internal Audit has now moved to adequate. Defra is currently considering the future of SSD as part of making back office efficiency savings across the Defra network. We believe that appropriate changes are necessary to provide the required level of service on a more cost effective basis.

Natural England has an independent internal audit activity with an internal Head of Internal Audit and a mixture of internal staff provision and an external contract to deliver specific reviews. Internal audit activity is targeted at assessing the adequacy and effectiveness of the systems of internal control and governance in the areas reviewed. The areas for review are determined by the reference to the levels of risk and are determined by myself, the Executive Board and the ARC. I believe that I need this direct control of the Internal Audit function in order to give me the assurance I need on the control environment as the Accounting Officer.

The Head of Internal Audit's opinion on the integrity of Natural England's systems of internal control has been provided in compiling this Statement on Internal Control and this statement

has been reviewed as part of that process. He considers that this statement gives a fair reflection of the systems of control in place within Natural England and that significant control issues have been included within this statement.

The Head of Internal Audit's opinion includes an assessment of the control position and he is able to give a moderate level of assurance that control systems are operating effectively. That opinion records the context within which the controls have been operated and steps that are being taken to improve the control environment. It indicates that there are some weaknesses in control in some reviewed systems that could have a significant impact on the achievement of those systems, functions or process objectives but should not have a significant impact on the overall achievement of organisational objectives.

Natural England's Audit and Risk Committee has comprised four non-executive members from the Board and an additional non-executive member of the Committee who is a qualified accountant.

It raises issues and concerns as necessary with me as Accounting Officer and with the Board. Attendees at the ARC meetings include myself, the Executive Director of Corporate Services, the Director of Finance, NAO and the Head of Internal Audit. Its terms of reference, that were reviewed in year and approved by the Board, ensure that risk management and internal control are regularly considered during the year.

The Board receives ARC minutes and reports from the Chair of the ARC concerning the work of the Committee. The Committee continues to advise on developments in risk management and also assess process around risks and controls on an ongoing basis. The ARC has a training programme to ensure members are up to date with best practice and their responsibilities. The ARC conducts an annual review of effectiveness and seeks feedback from the Board on its performance. In addition, the risk management and corporate governance framework is examined by Internal Audit.

Areas that presented significant risks to the system of internal control in 2009-10 were:

- the Shared Services Directorate performance and that of the Oracle system;
- the arrangements for information technology support through the Defra provided E-enabling agreement with IBM;
- the final stages of implementation of a major Corporate Services Review improving processes and procedures to reduce back office costs and increase quality of service; and
- implementation of the estates rationalisation programme and associated ways of working.

These risks were discussed with the Board, and progress in managing these risks has been reported on a regular basis.

Control Assurance Questionnaires have been completed and signed off by each member of ELG, Heads of Teams within Natural England, IAOs and also by SSD. These Assurance Questionnaires required staff to make an assessment about the adequacy of the control framework that has been in place throughout the period and highlight areas of control weakness and identify improvement action plans. These statements have formed part of the review of effectiveness by the Executive Board and the ARC.

The recent returns have highlighted improvements in:

- the understanding of both the Non Financial Scheme of Delegation and the Financial Scheme of Delegation;
- the controls exercised over assets and inventory items; and
- the availability of evidence to support the assessments.

There has also been a greater focus placed upon compliance and teams are now required to account for their performance as part of the quarterly review process.

In 2009-10 the following significant control issues were identified:

Description of control event	Management action
<b>Business continuity planning, awareness and testing</b>	
<p>This area continues to see improvement and all regional teams have plans in place. As a consequence partly of estate changes and changes to infrastructure not all plans have been fully tested.</p>	<p>Natural England has a corporate Business Continuity Plan (BCP) – and also regional and location specific BCPs. Included in the plans are details of our critical systems and key staff and supplier contact details. In addition we have an interim Information, Communications and Technology Disaster Recovery Plan.</p>
<p>KMIS have indicated that all critical areas have IT plans in place and business continuity has been partially tested following recent office moves and telephone outages.</p>	<p>We have an Executive Director, with clear responsibility for leading our response and have developed a process for establishing a Crisis Management Team for incidents. We have a good response capability particularly in the marine area where we are most frequently asked to respond to emergencies. This is covered by our Marine Response Plan, which is well documented, tried and tested.</p>
<p>Overall our IT systems and infrastructure are governed by the contract with IBM and Defra. These are not subject to disaster recovery contracts with the respective suppliers, because the cost of such contracts outweighs the benefits.</p>	<p>All regional teams have plans in place and these are being reviewed and updated to reflect changes in the business such as WINE2010. Operations review these to ensure consistency and best practice. Natural England will also be feeding into other continuity plans such as one which is being drawn up nationally for London.</p>
<p>Our IT infrastructure, and those of some of our suppliers (SSD, CIOD, Estates) is also vulnerable to a single point of failure at the IBM data centre.</p>	<p>A significant investment is still required for the Oracle system. A decision on this has been delayed whilst the future of Shared Services is determined. SSD have advised and evidenced that they have a continuity plan although this has not been tested on an end-to-end basis.</p> <p>The key IT infrastructure and the Genesis and Oracle Financial system are all subject to contractual support arrangements with IBM and ATOS Origin. Whilst we continue to maintain good relationships with these suppliers we, and Defra, cannot afford to purchase this service. This is something that is examined in detail as a requirement at each contract renewal.</p>

### Assurances over the controls operated by SSD

The back office financial, procurement and human resources services that are provided by SSD are by definition not directly controlled by Natural England.

Although the Defra Head of Internal Audit has assessed the overall control framework as adequate there have been a number of failures:

- A control failure was identified by SSD in relation to the incorrect calculation of and tax treatment of certain payroll allowances.
- Two payments that were intended to be made in March 2010 to an authorised supplier were diverted and paid into a third party bank.
- We are aware of certain control weakness that occurred in the early part of the year relating to payroll reconciliations.

New processes and controls have been implemented by SSD: the financial impact has been estimated as £61,000 due to the HMRC and over payments to staff of £14,000.

SSD initially suspended further payments, although they have now resumed weekly payment runs subject to additional manual controls agreed with Defra Internal Audit and the NAO. The matter has been referred to the police whose enquiries are continuing. Natural England has been indemnified against any losses that may arise by Defra.

These have subsequently been completed to time and quality. Examinations of the subsequent control accounts suggest that this has not had any adverse impact on the financial statements or the control environment.

### Assurances over the controls operated by IBM

Natural England is party to Defra's E-nabling contract with IBM. We are not aware of any control issues in the period. We have sought assurances from Defra and IBM under the contract and are in the process of validating those assurances for our needs in respect of the controls over Natural England's systems and data.

Natural England will continue to monitor IBM's performance on a monthly basis for any evidence of breakdown in controls.

Assurances have been obtained from Defra and IBM for IBM's operation of the internal controls through the period. This has been completed through the involvement of Defra's Internal Audit team and through the use of contractual rights to audit IBM that are available under the contract.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Executive Board and the Audit and Risk Committee and plans to address weaknesses and ensure continuous improvement of the system are in place.



Dr Helen Phillips  
Accounting Officer and Chief Executive  
28 June 2010

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

I certify that I have audited the financial statements of Natural England for the year ended 31 March 2010 under Schedule 1, Section 24(4) of the Natural Environment and Rural Communities Act 2006. These comprise the Net Expenditure Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of 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 Board and Chief Executive and Auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board and the Chief Executive are 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 the financial statements in accordance with applicable law and 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 am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the

financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## Opinion on regularity

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

## 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 2010 and of its net expenditure changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance 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 Management Report, included within the Annual Report and Accounts 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 are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control 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

8 July 2010

## Net Expenditure Account for the year ended 31 March 2010

		2009/2010	2008/2009 Restated
		£'000	£'000
<b>Expenditure</b>			
Staff costs	6.1	96,460	86,372
Depreciation	7	4,561	4,180
Other expenditures	7	149,880	149,828
<b>Total expenditure</b>		<b>250,901</b>	<b>240,380</b>
<b>Income</b>			
Income from activities	8	13,684	4,656
Other income	8	5,552	3,692
<b>Total income</b>		<b>19,236</b>	<b>8,348</b>
<b>Net expenditure</b>		<b>(231,665)</b>	<b>(232,032)</b>
Cost of capital	13	1,389	1,705
Interest receivable		3	19
<b>Net expenditure after cost of capital charge and interest</b>		<b>(230,273)</b>	<b>(230,308)</b>

## Statement of Financial Position as at 31 March 2010

		31 March 2010	31 March 2009 Restated	1 April 2008 Restated
	Notes	£'000	£'000	£'000
<b>Non-current assets:</b>				
Property, plant and equipment	10.1	30,092	18,509	18,868
Intangible assets	10.2	2,201	2,052	1,074
Agriculture biological assets	11	71	68	65
Trade and other receivables	17.2	21	48	158
<b>Total non-current assets</b>		<b>32,385</b>	<b>20,677</b>	<b>20,165</b>
<b>Current assets:</b>				
Assets classified as held for sale	12	0	1,004	485
Inventories	16	97	101	85
Trade and other receivables	17	16,302	4,007	3,260
Cash and cash equivalents	18	17,117	13,682	7,800
<b>Total current assets</b>		<b>33,516</b>	<b>18,794</b>	<b>11,630</b>
<b>Total assets</b>		<b>65,901</b>	<b>39,471</b>	<b>31,795</b>
<b>Current liabilities</b>				
Trade and other payables	19	(58,312)	(72,687)	(94,855)
Other liabilities	20	0	0	(39)
<b>Total current liabilities</b>		<b>(58,312)</b>	<b>(72,687)</b>	<b>(94,894)</b>
<b>Non-current assets plus/less net current assets/liabilities</b>		<b>7,589</b>	<b>(33,216)</b>	<b>(63,099)</b>

<b>Non-current liabilities</b>				
Provisions	21	(7,361)	(8,073)	(10,191)
Pension liabilities	21	(399)	(309)	(273)
Other payables	19	(13,739)	(3,700)	(5,566)
Financial liabilities		0	0	0
<b>Total non-current liabilities</b>		<b>(21,499)</b>	<b>(12,082)</b>	<b>(16,030)</b>
<b>Assets less liabilities</b>		<b>(13,910)</b>	<b>(45,298)</b>	<b>(79,129)</b>
<b>Reserves</b>				
Capital reserve	26	30,194	19,188	18,469
Revaluation reserve	27	2,169	2,444	2,023
Revenue reserve	28	(46,273)	(66,930)	(99,621)
		<b>(13,910)</b>	<b>(45,298)</b>	<b>(79,129)</b>

The accounting policies and notes on pages 78 to 127 form part of these financial statements.

The Statement of Financial Position is showing a negative balance because of timing differences between consumption and payment. Natural England draws Grant in Aid from Defra to cover its cash requirements and not to represent income (see note 1.2).

*Helen Phillips*

**Dr Helen Phillips**

Accounting Officer and Chief Executive  
28 June 2010

## Statement of Cash Flows for the year ended 31 March 2010

		2009/2010	2008/2009 Restated
	Notes	£'000	£'000
<b>Cash flows from operating activities</b>			
Net deficit after cost of capital and interest		(230,273)	(230,308)
Adjustment for non cash items			
- depreciation & amortisation	10.1 & 10.2	4,561	4,180
- impairment	15	3	249
- cost of capital charge	13	(1,385)	(1,700)
- (surplus)/ loss on disposal of assets net of Proceeds		140	240
- provisions provided for in year	21	895	(2,082)
- employee benefit annual leave accrual		(594)	70
- IFRIC 12 write down of lease		(2,283)	(2,226)
- release from deferred EU grants	20	0	(39)
- change in investment holding in JNCC	28	0	(1)
(Increase)/Decrease in trade and other receivables	17	(12,268)	696
(Increase)/Decrease in Inventories	16	4	(17)
Increase/(Decrease) in trade payables	19	(8,832)	(21,641)
<b>Net cash outflow from operating activities</b>		<b>(250,032)</b>	<b>(252,579)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10.1	(3,759)	(3,486)
Purchase of intangible assets	10.2	(223)	(1,297)
Increase/ (Decrease) in non current payables		(2,120)	128
Proceeds of disposal of property, plant and equipment		1,151	341
Proceeds of disposal of intangibles		0	0
<b>Net cash outflow from investing activities</b>		<b>(4,951)</b>	<b>(4,314)</b>

<b>Cash flows from financing activities</b>			
Grants from parent departments	28	258,418	262,775
<b>Net financing</b>		<b>3,435</b>	<b>5,882</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>		<b>3,435</b>	<b>5,882</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>13,682</b>	<b>7,800</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>17,117</b>	<b>13,682</b>

The accounting policies and notes on pages 78 to 127 form part of these financial statements.

## Statement of Changes in Taxpayers Equity for the year ended 31 March 2010

	Capital Reserve	Reval'n Reserve	Revenue Reserve	Total Reserves
	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2008</b>	<b>0</b>	<b>2,023</b>	<b>(78,015)</b>	<b>(75,992)</b>
IFRS implementation	18,469		(21,606)	(3,137)
<b>Restated balance at 1 April 2008</b>	<b>18,469</b>	<b>2,023</b>	<b>(99,621)</b>	<b>(79,129)</b>
<b>Changes in Taxpayers Equity 2008-09</b>				
Net gain/(loss) on revaluation of property, plant and equipment.		700		700
Assets not previously recorded			16	16
Non-cash charges – cost of capital			(1,700)	(1,700)
Transfers between reserves	719	(279)	(440)	0
Increase in bequests			20	20
Retained Surplus/(Deficit)	0	0	(230,308)	(230,308)
Total recognised Income & Expense for 2008-09	719	421	(232,412)	(231,272)
Grant from Parent			265,103	265,103
<b>Balance at 31 March 2009</b>	<b>19,188</b>	<b>2,444</b>	<b>(66,930)</b>	<b>(45,298)</b>
<b>Changes in Taxpayers Equity 2009-10</b>				
Net gain/(loss) on revaluation of property, plant and equipment.		25		25
Assets not previously recorded			69	69
Non-cash charges – cost of capital			(1,385)	(1,385)
Transfers between reserves	11,006	(300)	(10,706)	0
Increase in bequests			34	34
Retained Surplus/(Deficit)			(230,273)	(230,273)

Total recognised Income & Expense for 2009-10	11,006	(275)	(242,261)	(231,530)
Grant from Parent			262,918	262,918
<b>Balance at 31 March 2010</b>	<b>30,194</b>	<b>2,169</b>	<b>(46,273)</b>	<b>(13,910)</b>

# Notes to the financial statements

## 1. Statement of accounting policies

### 1.1 Basis of accounting

- i) The Financial Statements have been prepared in accordance with the 2009-10 Government Financial Reporting Manual (FRoM) issued by HM 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 FRoM apply International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public sector context, and comply with the guidelines issued by the International Financial Reporting Interpretations Committee (IFRIC).

Where the FRoM 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.

- ii) The Financial Statements are intended, without limiting the information given, to meet the requirements of the Companies Act 1985 and 1989 and the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) issued and approved by the International Accounting Standards Board (IASB) in so far as these requirements are appropriate.
- iii) The Financial Statements 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 fixed 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 Net Expenditure Account.

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

- iv) 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:

#### Indexation of non-current assets

Natural England restates the non-current tangible and intangible assets using the Modified Historic Cost Adjustment each year as stated in notes 1.4 & 1.5. Depreciation of these assets is spread across the deemed useful economic life, which also requires the use of judgement.

#### Employee benefit accrual

Natural England recognises a liability and expense for unused annual leave which is accrued to individual staff members 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 Going concern

The Statement of Financial Position at 31 March 2010 shows net liabilities of £13.9million. This reflects the inclusion of liabilities falling due in future years, 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 grants-in-aid from the Natural England's sponsoring department, the Department

for Environment, Food and Rural Affairs. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grant-in-aid for 2010/2011, taking into account the amounts required to meet Natural England's liabilities falling due in that year, has already been included in the Department for Environment, Food and Rural Affairs Estimates for that year, which have been approved by Parliament, and there is no reason to believe that the department's future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

### 1.3 Joint Nature Conservation Committee

Natural England incorporates the results of the Joint Nature Conservation Committee under the terms of IAS 31 "Interests in Joint Ventures", and includes its share of the JNCC's balances within its own accounts. Natural England's percentage contribution to the funding and its share of net revenue expenditure and ownership of the assets and liabilities of the JNCC remain unchanged from 2008/09 and for 2009/2010 are 37.07%, Defra share is 24.73%, Scottish Natural Heritage (SNH) share is 21.83%, Countryside Council for Wales (CCW) share is 10.91% and Department of Environment for Northern Ireland (DOENI) is 5.46%. The percentage contribution and overall budget is set by Defra in discussion with the devolved administrations in Scotland and Wales.

The JNCC have not had to prepare their Annual Accounts in accordance with IFRS with effect from 1 April 2009, and still report on a UK GAAP basis due to their classification as a small entity. The only significant impact of IFRS for JNCC would be an accrual for staff

annual leave not taken at the year end, and this amount would not be material for Natural England.

### 1.4 Non-current property, plant and equipment assets and depreciation

- i) 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. 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 net expenditure account.

Subsequent expenditure on an asset is capitalised if the criteria for initial capitalisation are met, ie. if it is probable that economic benefits will flow to Natural England, and the cost of the expenditure can be reliably measured. Subsequent expenditure is recognised as an addition to the asset to the extent that the expenditure improves the condition of the asset beyond its previously assessed standard of performance.

Each component of an asset with a value deemed material to the total fair value of the asset is capitalised and depreciated separately. Components no longer to be used are derecognised.

- ii) All freehold land (except non-operational heritage assets – see iii) below) and buildings are stated at fair value, and are revalued every five 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

2005/2006 by external valuers, Smiths Gore, by their Royal Institute of Chartered Surveyors qualified staff.

In between professional revaluations, values are updated annually where material, using indices from the Property Market Report issued by the Valuation Office.

iii) Freehold land and buildings, classified as non-operational heritage assets and located on designated conservation areas have been assigned a nil valuation on the Statement of Financial Position. Treasury guidance in the form of the FReM does not currently contain a specific exemption from being valued for National Nature Reserves but Natural England's interpretation has been that this should be the case.

iv) 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 will stop indexing short life assets on a yearly basis.

v) Defra has entered into a contract with IBM for the supply of IT services, and Natural England are a 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 eight 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.

vi) 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

vii) Non-current assets are classified as "held for sale" if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Depreciation ceases immediately from the date at which non-current assets meet the criteria to be classified as held for sale. They are stated at the lower of their carrying amount and fair value less costs to sell. They are recorded in the current section of Natural England's Statement of Financial Position.

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

ix) The Joint Nature Conservation Committee (JNCC) provide for depreciation on all fixed assets at rates calculated to write off the cost or valuation of each asset evenly over its expected useful life as follows:

Leasehold premises	Over the period of individual leases
Computer equipment	5 years
Other equipment	5 to 10 years
Software licences	5 years

Depreciation is charged on a monthly basis from the date of purchase.

### 1.5 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 a 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 capitalisation 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 five years although alternative lives may be used where relevant information is available to ascribe a more appropriate expected useful life.

Within the intangible asset classification is one asset which was formerly recorded in the tangible category under UK GAAP. This asset was a grant management software application, and has been reclassified to intangibles using fair value as deemed cost at the Statement of Financial Position date.

### 1.6 Research and development

The costs arising from developing an

intangible asset (both internal and external) should be capitalised if and only if, a number of criteria as outlined in IAS 38 are met. All other development expenditure and all research expenditure are written off in the year they occur to the net expenditure account.

### 1.7 Agricultural 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 at Parsonage Down Farm, Salisbury, 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 net expenditure account. Lambs born close to the Statement of Financial Position date are not valued as valuations are unreliable until lambs reach maturity.

### 1.8 Impairment

The carrying amounts of Natural England's tangible and finite life intangible assets are reviewed at each Statement of Financial Position date to establish whether there are any indications of impairment. If such indications are evident, the estimated recoverable amount of the assets are compared to their carrying amount. If the carrying amount exceeds the recoverable amount, an impairment loss is immediately recognised. The recoverable amount is the greater of fair value, less costs to sell, and the value in use. The value in use is an estimate of the future cashflow benefits expected to derive from the asset, discounted by a rate that reflects current market assessments of the time value of money and the risks specific to the asset.

## 1.9 Inventories

- i) Farm stock bred for sale is capitalised and covered above in 1.7 where it is treated as agricultural biological assets. Other farm stock has been valued at cost.
- ii) For other stocks Natural England uses the lower of cost and estimated net realisable value.
- iii) 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.

## 1.10 Financial instruments

Natural England holds a range of 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, exposed to little credit, liquidity or market risk. The financial instrument classes are described below:

### 1.10.1 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 net expenditure account when the probability of recovery is assessed as being remote, or it is uneconomic to do so.

### 1.10.2 Available for sale assets

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 include cash and cash equivalents. They are measured at fair value, with all unrealised gains or losses on disposal recognised in the net expenditure account.

### 1.10.3 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.

### 1.10.4 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 14 and by making formal agreements with partners as to how shortfalls or surpluses will be covered. Liquidity risk is managed through the management of Grant In Aid funding in accordance with the Financial Memorandum.

## 1.11 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.

## 1.12 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 the Department for Environment, Food and Rural Affairs and this has been treated as non-business income for the purposes of VAT.

#### **1.13 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.

#### **1.14 Grants receivable**

Natural England receives grant funding from the European Union, the Rural Payments Agency and the Forestry Commission. Government grants received to support revenue expenditure are treated as contributions from controlling parties and are credited to the revenue reserve.

GIA for capital works is credited to the revenue reserve.

Funding received from the European Union (EU) is released from the Deferred EU Grant Reserves to match project expenditure during the year.

#### **1.15 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 net expenditure account when there is a constructive 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.

#### **1.16 Operating 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.

#### **1.17 Cash and cash equivalents**

Natural England uses the Government Banking Service (GBS – see note 18 for further information) and manages all its commercial accounts in accordance with HM Treasury's Banking Stewardship Guidance. The policy is to restrict the holding of cash balances.

#### **1.18 Short term investments**

Short term investments relate to bequest funds held in a business premium account with Barclays bank. These funds are available on immediate terms.

#### **1.19 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 net expenditure account in the year in which they are incurred.

#### **1.20 Capital charge**

A charge, reflecting the cost of capital utilised by Natural England, is included in the Net Expenditure account. The charge is calculated at the real rate set by HM Treasury (currently 3.5% [2008-09 3.5%]) on the average carrying amount of all assets less liabilities, except for:

a. property, plant and equipment and intangible assets where the cost of capital is based on opening values, adjusted pro rata for in-year:

- Additions at cost.
- Disposals as valued in the opening statement of financial position (plus any subsequent capital expenditure prior to disposal).
- Impairments at the amount of the reduction of the opening statement of financial position value (plus any subsequent capital expenditure).
- Depreciation of property, plant and equipment and amortisation of intangible assets.

b. donated asset, and cash balances with the Government Banking Service (formerly the Office of the Paymaster General), where the charge is nil.

## 1.21 Employee benefits

### 1.21.1 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 6.3 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".

### 1.21.2 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 net expenditure account, 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.

### 1.21.3 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.

## 1.22 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 net expenditure account 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. The determination of a lease is based upon the substance of that arrangement – whether the arrangement is dependent upon the use of a specific asset and conveys the right to use that asset.

### 1.23 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.

### 1.24 Reserves

Natural England has 3 reserves established in accordance with IAS 1, IAS 20 and the FReM as follows;

**Capital reserve** – This reserve 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.

**Revaluation reserve** – This reflects the unrealised balance of the cumulative indexation and revaluation adjustments to assets.

**Revenue reserve** – Accumulated surpluses, deficits and GIA are accounted for in this reserve. GIA is provided from Defra to match Natural England's cash needs, and in line with IAS 20 this is accounted for on a cash basis. GIA whether for revenue or capital purposes is treated as contributions from controlling parties giving rise to Defra having a financial interest in the residual interest of Natural England. GIA is credited to the revenue reserve, and not to income. Grants for revenue purposes will normally be accounted for in the same way as grant-in-aid, unless it can be demonstrated that they are provided in return for specific goods or services, in which case they are credited to income.

### 1.25 Contingent liabilities

Contingent assets and liabilities are disclosed in accordance with IAS 37.

## 2. First-time adoption of International Financial Reporting Standard's (IFRS)

As a public sector body, the date of transition to IFRS is 1 April 2008, for the purpose of preparing the opening IFRS Statement of Financial Position. Any adjustments arising from differing accounting policies resulting from the application of IFRS for the first time shall be taken through the Revenue Reserve in accordance with IFRS 1 "First-time Adoption of IFRS"

In accordance with IAS 1 and the FReM, a Capital reserve has been established under IFRS. This reserve is effectively synonymous with the value of net assets, and it has been disaggregated from the Revenue reserve, where previously the transactions

that go through this new reserve went. 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.

The JNCC have not had to prepare their Annual Accounts in accordance with IFRS from the date of transition, and still report on a UK GAAP basis due to their classification as a small entity. The only significant impact of IFRS for JNCC would be an accrual for staff annual leave not taken at the year end, and this amount would not be material for Natural England.

The following table details all adjustments which had a material impact on Natural England's financial position as a result of the move to IFRS.

	Revenue Reserve	Revaluation Reserve	Capital Reserve	Total Reserves
	£' 000	£' 000	£' 000	£' 000
Taxpayers equity at 31 March 2009 under UK GAAP	(44,535)	2,444	0	(42,091)
Adjustments for:				
IAS 19 – Employee Benefits (see note 1.21.3)	(3,207)	0	0	(3,207)
Establishment of Capital reserve	(19,188)	0	19,188	0
<b>Taxpayers equity at 1 April 2009 under IFRS</b>	<b>(66,930)</b>	<b>2,444</b>	<b>19,188</b>	<b>(45,298)</b>

Net expenditure for 2008/09 under UK GAAP				230,294
Adjustments for:				
IAS 19 – Employee Benefits (see note 1.21.3)				70
Cost of Capital				(56)
Net expenditure for 2008-09 under IFRS				230,308

### 3. Disclosure of IFRSs in issue not yet effective

Natural England has reviewed the IFRSs in issue but not yet effective, to determine if it needs to make any disclosures in respect of those new IFRSs that are or will be applicable. References to 'new IFRSs' includes new interpretations and any new amendments to IFRSs and interpretations. It has been determined the following new IFRSs are relevant to Natural England but will have no significant impact on the financial statements.

Amendments to IFRSs

- IAS 24 Related Party Disclosures

Amendments to IFRSs resulting from Annual Improvements to IFRSs (May 2008 and April 2009)

- IAS 7 Statement of Cash Flows
- IAS 17 Leases

### 4. Major FReM changes for 2010/11

Natural England has reviewed the major FReM changes for 2010/11 and determined the following will have no significant impact on the financial statements:

- Chapter 8 Impairments

Natural England has identified the following accounting changes as significant:

- Chapter 11 Income and Expenditure. The removal of Cost of Capital charging from the accounts. From 1 April 2010 notional costs should not be recorded for cost of capital. Cost of Capital charging will be excluded from the Natural England accounts. The initial application will increase expenditure by approximately £1.4m, however, as current accounting treatment reverses the cost of capital within the Revenue Reserve in the Statement of Financial Position there will be no net impact overall.
- Chapter 6 Tangible Non Current Assets – Heritage Assets. All heritage assets should be accounted for in accordance with the requirements of Financial Reporting Standard 30 – "Heritage Assets". This will require Natural England to attest on an annual basis to the ongoing heritage credentials of its heritage assets. A valuation for all heritage assets will need to be obtained and will be included in the Statement of Financial Position.

## 5. Analysis of net expenditure and assets by segment

In accordance with IFRS 8 "Operating Segments" Natural England are 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 areas aligns to an area managed by an Executive Director of the Natural England Executive Board.

### Net expenditure account for the year ended 31 March 2010

	Operational segments				Corporate services	JNCC	Total
	Regional delivery	National delivery	Evidence & analysis	External affairs			
	£'000	£'000	£'000	£'000			
Staff costs	48,816	24,612	11,017	3,301	8,715	0	<b>96,461</b>
Non pay running costs	2,833	1,813	1,048	239	6,973	0	<b>12,906</b>
Genesis	0	22,048	0	0	0	0	<b>22,048</b>
IBM IT contract	0	0	0	0	14,204	0	<b>14,204</b>
Estates & Shared services	0	0	0	0	15,191	0	<b>15,191</b>
Programme & Grant expenditure	44,079	14,097	10,132	143	0	3,880	<b>72,331</b>
Other operating costs	3,426	4,008	332	1,831	3,599	0	<b>13,196</b>
Depreciation & impairment	0	0	0	0	4,564	0	<b>4,564</b>
Cost of Capital	0	0	0	0	(1,389)	0	<b>(1,389)</b>
<b>Total expenditure</b>	<b>99,154</b>	<b>66,578</b>	<b>22,529</b>	<b>5,514</b>	<b>51,857</b>	<b>3,880</b>	<b>249,512</b>
<b>Income</b>	<b>(11,164)</b>	<b>(4,509)</b>	<b>(951)</b>	<b>(116)</b>	<b>(1,466)</b>	<b>(1,033)</b>	<b>(19,239)</b>
<b>Net expenditure</b>	<b>87,990</b>	<b>62,069</b>	<b>21,578</b>	<b>5,398</b>	<b>50,391</b>	<b>2,847</b>	<b>230,273</b>

## Net expenditure account for the year ended 31 March 2009

	Operational segments				Corporate services	JNCC	Total
	Regional delivery	National delivery	Evidence & analysis	External affairs			
	£'000	£'000	£'000	£'000			
Staff costs	43,795	21,941	10,567	2,820	7,249	0	<b>86,372</b>
Non pay running costs	4,128	3,209	1,444	342	5,940	0	<b>15,063</b>
Genesis	0	22,375	0	0	0	0	<b>22,375</b>
IBM IT contract	0		0	0	12,244	0	<b>12,244</b>
Estates & Shared services	0	0	0	0	16,392	0	<b>16,392</b>
Programme & Grant expenditure	38,445	15,704	10,562	174	0	3,406	<b>68,291</b>
Other operating costs	3,342	3,155	460	2,084	6,173	0	<b>15,214</b>
Depreciation & impairment	0	0	0	0	4,429	0	<b>4,429</b>
Cost of Capital	0	0	0	0	(1,705)	0	<b>(1,705)</b>
<b>Total expenditure</b>	<b>89,710</b>	<b>66,384</b>	<b>23,033</b>	<b>5,420</b>	<b>50,722</b>	<b>3,406</b>	<b>238,675</b>
<b>Income</b>	<b>(4,914)</b>	<b>(1,948)</b>	<b>(478)</b>	<b>(47)</b>	<b>(431)</b>	<b>(549)</b>	<b>(8,367)</b>
<b>Net expenditure</b>	<b>84,796</b>	<b>64,436</b>	<b>22,555</b>	<b>5,373</b>	<b>50,291</b>	<b>2,857</b>	<b>230,308</b>

## 6.1 Staff costs

	2009/2010	Restated 2008/2009
	£'000	£'000
<b>Permanent staff salaries and allowances</b>		
Chair and Acting Chair	73	79
Members	307	335
Staff	73,186	67,625
	<b>73,566</b>	<b>68,039</b>
<b>Pension costs</b>		
Accruing Superannuation Liability Charge Payment	13,702	13,490
Early severance and retirement trans to / (from) provision <sup>Note a</sup>	53	(2,808)
Partnership pension contributions	87	63
	<b>13,842</b>	<b>10,745</b>
<b>Permanent staff social security costs</b>		
Chair	7	8
Members	29	31
Staff	5,406	5,216
	<b>5,442</b>	<b>5,255</b>
Agency and temporary staff	2,624	2,218
Inward secondees	698	359
Temporary staff social security	87	41
Other staff costs	350	58
<b>Sub total</b>	<b>96,609</b>	<b>86,715</b>
Less recoveries in respect of outward secondments	149	343
<b>Total net costs</b>	<b>96,460</b>	<b>86,372</b>

### Notes:

a) The voluntary early retirement and voluntary early severance provision was reduced in 2008-09 by £2.8 million as a result of negotiations undertaken with Defra during the year, which resulted in early retirement costs being funded by Defra through its Modernising Rural Delivery fund.

b) In accordance with IAS 19 Employee Benefits, £2.6m (£3.2m 2008/09) has been included in staff salaries for annual leave not taken at 31 March 2010.

c) Staff costs have risen in line with the increase in staff numbers in the period as additional staff were brought in under both permanent and temporary contracts to achieve the additional delivery requested in our 2009/10 Corporate Plan targets. In 2009/10 we had significant increases in our delivery of all agri-environment schemes under RDPE, Marine work and the Walking the way to Health scheme funded by the Department of Health.

## 6.2 Staff numbers

	2009/2010	Restated 2008/2009
<b>The average number of whole time equivalent persons employed during the year was as follows:</b>	<b>No.</b>	<b>No.</b>
Permanent staff:		
Management	175	149
Operational	1,888	1,758
Administration	350	344
<b>Sub total</b>	<b>2,413</b>	<b>2,251</b>
Temporary and contract staff:		
Management	3	3
Operational	174	128
Administration	46	41
<b>Sub total</b>	<b>223</b>	<b>172</b>
<b>Total</b>	<b>2,636</b>	<b>2,423</b>

Included in temporary and contract staff figures are staff who are appointed on casual and short-term contracts.

The 2008/09 staff numbers have been restated to include temporary agency staff and contractors that are not on Natural England's payroll and had been excluded.

## 6.3 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. Details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2009/2010, employers' contributions of £13.7m were payable to the PCSPS (2008/2009 £13.5m) at one of the four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2010/2011, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of benefits accruing during 2009/2010 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. Employers' contributions of £87k were paid to one or more of the panel of three appointed stakeholder pension providers (2008/2009 £63k). Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of 0.8% of pensionable pay, were payable to PCSPS to cover the cost of the future provision of 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 £17k (£11k 2008/2009).

The late Sir Martin Doughty (Former Chair) and Poul Christensen (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. From 30 July 2007, civil servants 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 changes in the Retail Prices Index (RPI). Members joining from October 2002 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 set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. 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 updated in line with RPI. 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-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

## 6.4 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, were prohibited from joining the PCSPS and are included in a separate scheme set up by Defra on 1 October 2006 which is described as "by analogy to the main scheme".

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

The present value of scheme liabilities were:	Value at 31/03/2010	Value at 31/03/2009	Value at 31/03/2008	Value at 31/03/2007
	£'000	£'000	£'000	£'000
Liability in respect of				
Active members	67	33	273	224
Deferred Pensioners	0	0	0	0
Current Pensioners	148	133	0	0
<b>Total present value of scheme liabilities</b>	<b>215</b>	<b>166</b>	<b>273</b>	<b>224</b>

The major assumptions used by the actuary were:	2009/2010	2008/2009	2007/2008
Rate of increase in salary	4.29%	4.29%	4.30%
Rate of increase in pension payment and deferred pensions	2.75%	2.75%	2.75%
Rate used to discount scheme liabilities	4.60%	6.04%	5.30%
Inflation assumption	2.75%	2.75%	2.75%

Expenses to be recognised in profit or loss:	£'000	£'000	£'000
Current service cost (net of employee contributions)	19	34	34
Interest on pension liabilities	10	10	11
<b>Total expense/ (income)</b>	<b>29</b>	<b>44</b>	<b>45</b>

<b>Actuarial gains/losses to be recognised in other comprehensive income:</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Experience loss/ (gain) arising on the scheme liabilities	(10)	69	7
Changes in assumptions underlying the present value of the scheme liabilities	37	(16)	(15)
<b>Net total actuarial loss/ (gain) in other comprehensive income</b>	<b>27</b>	<b>53</b>	<b>(8)</b>

<b>History of experience losses/ (gains):</b>	<b>31 March 2010</b>	<b>31 March 2009</b>	<b>31 March 2008</b>	<b>31 March 2007</b>
Experience loss/ (gain) arising on the scheme liabilities				
Amount (£'000's)	(10)	69	7	30
Percentage of scheme liabilities at the end of year	(4.90) %	41.57%	2.4 %	13.4 %

**Estimate of contributions expected to be paid into the scheme over the year 1 April 2010 to 31 March 2011:**

Employer contributions	14,180
Employee contributions	2,550

<b>Movement in scheme liabilities during the year:</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Scheme liabilities at beginning of the year	166	273	224
Movement in year:			
Current service cost (net of employee contributions)	19	34	34
Employee contributions	3	11	12
Interest cost	10	10	11
Actuarial loss/(gain)	27	53	(8)
Benefits paid	(10)	(215)	0
<b>Scheme liabilities at end of the year</b>	<b>215</b>	<b>166</b>	<b>273</b>

## 7. Other expenditure

		2009/2010	Restated 2008/2009
		£'000	£'000
Programme expenditure		21,799	30,563
Programme expenditure – Bolton Fell Moss		9,000	0
Programme expenditure – Research & development		8,509	7,231
Programme expenditure – Other operating lease rentals		730	667
Grant expenditure		28,413	26,424
Genesis system		22,048	22,375
IBM IT contract recharges		14,204	12,244
Estates recharges from Defra		7,033	7,093
Office rentals under operating leases		4,365	4,298
Staff travel and subsistence costs		4,063	5,572
Shared service recharges		3,793	5,001
Consultancy		4,343	3,519
IT enhancements		3,421	1,140
Staff support costs		3,100	3,202
Information and publicity		2,631	2,928
Estates management costs		2,665	2,861
Legal fees		133	1,095
Provision provided for in year: Litigation	21	750	875
Printing and stationery		1,202	1,212
Subscriptions and agents fees		439	717
Vehicle costs		455	535
Impairments charged to net expenditure	15	3	249
NAO audit fee for the year		165	180
Other audit fees		164	184
Interest charges		2	1
Loss on disposal of property, plant and equipment		140	240
Other operating costs		1,661	1,901
Provision provided for in year: Dilapidations and onerous contracts	21	769	4,115
Depreciation	10.1 & 10.2	4,066	3,925
Amortisation	10.1 & 10.2	495	255
JNCC shared conservation	9.2	3,880	3,406
		<b>154,441</b>	<b>154,008</b>

### Notes:

The graph on page 51 aligns Programme and grant expenditure in terms of our outcomes.

## The main areas of programme expenditure supported were:

### Outcome one: A healthy natural environment

- Wildlife enhancement scheme Agreements – a management agreement scheme for Sites of Special Scientific Interest (SSSIs) to positively maintain and enhance their special interest by combining Natural England’s knowledge of wildlife management with the owner or occupier’s skills and knowledge of the land.
- Conservation and enhancement scheme Agreements – a new scheme aimed primarily at achieving favourable condition on the 6% of SSSIs where Environmental Stewardship cannot be used.
- Biodiversity support to species – support habitat and species conservation, and in particular the delivery of Biodiversity Action Plans and the England Biodiversity Strategy.
- National Nature Reserves (NNRs) – These include many of the finest wildlife sites in the country and provide nationally and internationally important showcases for some of our most important wildlife habitats and natural features. NNRs often make a significant contribution to local landscape quality and many have features of archaeological and historical interest. NNRs are also places where people can enjoy wildlife and much work has been undertaken in recent years to enhance NNR facilities and enable greater appreciation of wildlife and wild places. NNRs also have an increasingly important role within local communities, contributing to a variety of local initiatives such as life-long learning, healthy living and social well-being.
- Marine Programme – The Marine Campaign focuses on the establishment of a network of marine protected areas. England has some of the finest marine wildlife in Europe, with dramatic

underwater habitats and landscapes, and over 10,000 types of plant and animal. England only has one marine protected area where all wildlife is protected from damaging activities: on Lundy island off the North Devon coast.

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

- Walking the way to Health – This initiative encourages people, particularly those who take little or no exercise, to join regular, short health walks in their own communities. The Department of Health fund the initiative.
- One Million Children – By 2012 Natural England aims to have given one million children and their families a high quality learning experience which enriches their understanding and appreciation of the natural environment. Natural England will deliver and evaluate school pilots aimed at testing new ways of fostering greater connection between primary school-aged children and their local green spaces and communities.

### Outcome three: Sustainable use of the natural environment

- English Catchment Sensitive Farming Initiative Delivery – this is land management that keeps diffuse emissions of pollutants to levels consistent with the ecological sensitivity and uses of rivers, groundwaters and other aquatic habitats, both in the immediate catchment and further downstream.

### Outcome four: A secure environmental future

- Science and Evidence – Technical Information and Monitoring, Analysis, Reporting and Modelling team, and the Geographic Information Framework.

## Key schemes which Grant funding supported were;

### Outcome one: A healthy natural environment

- Areas of Outstanding Natural Beauty – The National Parks and Access to the Countryside Act, 1949 established how the countryside could be protected and enjoyed in the future. The act paved the way for the 224 National Nature Reserves we have in England today, 49 Areas of Outstanding Natural Beauty and over 2,500 miles of National Trails in England and Wales.
- Countdown 2010 – This £5.5 million fund was launched on 22 May 2008 to help achieve the UK government's commitment to halt the loss of biodiversity by 2010, through supporting the recovery of priority species and habitats in England. This commitment to halt biodiversity loss was made by European leaders at the 2001 EU Summit in Gothenburg and the Countdown 2010 initiative seeks to raise awareness of this target. Following on from an open grant application process, 38 projects were awarded funding on 6 October 2008. The projects are all run by voluntary organisations and are directly contributing towards the conservation of UK Biodiversity Action Plan (BAP) priority habitats and species in England.
- Wetland vision – England's wetlands have received £2 million to save threatened plants animals and habitats. Wetlands manage water, protect wildlife, store carbon and preserve buried archaeology.

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

- Access to Nature – This programme is about giving more people the opportunity to enjoy our natural environment. It is funded by the Big Lottery Fund's Changing Spaces programme,
- National Nature Trails – National Trails are long distance routes for walking, cycling and horse

riding through the finest landscapes in England and Wales.

### Outcome three: Sustainable use of the natural environment

- Catchment Sensitive Farming capital grants – land management that keeps diffuse emissions of pollutants to levels consistent with the ecological sensitivity and uses of rivers, groundwaters and other aquatic habitats, both in the immediate catchment and further downstream.
- Aggregates Levy sustainability Fund – This scheme aims to reduce the adverse effects, and improve the benefits, that quarrying has on the environment, local area and its community. It does this by supporting a variety of projects that answer specific themes.

£22.9m (2008/2009 £20.7m) of the above grant expenditure was paid to other government bodies and £5.4m (2008/2009 £5.7m) was paid to farmers and the private sector.

Forward commitments on grant offers made and accepted at or by 31 March 2010 totalled £14.9m (2008/2009 £15.0m) including £3.4m for National Trails (2008/2009 £3.4m), £9.5m for Areas of Outstanding Natural Beauty (2008/2009 £9.6m) and £2m for Countdown 2010 Biodiversity Action Fund (2008/2009 £2.0m).

It is Natural England's responsibility to administer the major part of the Rural Development Programme for England with payments made via the Rural Payments Agency, which is the delegated paying agency. As a consequence there is around £360.8m (2008/2009 £363.2m) of gross programme spend administered by Natural England but accounted for by Defra. These funds are administered using the Genesis and AESIS systems.

During the year Natural England did not purchase any non-audit services from its auditor, the National Audit Office.

## 8. Income

	2009/2010	2008/2009
<b>Income from activities</b>	<b>£'000</b>	<b>£'000</b>
Contribution from Defra re Bolton Fell Moss	9,000	0
Big Lottery Fund (restricted income)	1,261	325
Contributions from conservation partners	856	1,692
Programme income	846	62
Single Farm Payments	643	687
National Lottery Grants	527	1,436
Income from National Nature Reserves	458	363
Sales of publications	68	82
Advice and other services	25	9
<b>Sub-total income from activities</b>	<b>13,684</b>	<b>4,656</b>
<b>Other income</b>		
Miscellaneous receipts including rents and recharges	1,826	979
Defra contribution for Genesis Improvements	1,150	0
Defra contribution to South Downs National Park	856	0
Walking the way to Health	612	0
Other European Union Receipts	75	881
Foreign exchange gains	0	45
Interreg Funds	0	1,238
JNCC shared conservation income (see note 9.1)	1,033	549
<b>Sub-total other income</b>	<b>5,552</b>	<b>3,692</b>
	<b>19,236</b>	<b>8,348</b>

The Big Lottery fund income is a restricted fund from the National Lottery used to support the Access to Nature project, details of which are shown in note 7 above. The income not applied in 2009/10 carried forward to fund the project from 2010-11 onwards totals £1,520,688 (see deferred income included in note 19.1).

Natural England has entered into a management and purchase agreement with a private company relating to property at Bolton Fell Moss, Cumbria. Under the agreement signed on 22 March 2010, in return for an

advance payment, it has been agreed to phase out peat extraction to a defined programme with complete cessation no later than November 2013. The project was fully backed by Defra, and the costs relating to the agreement were 100% reimbursed by Defra .

The Walking the way to Health initiative encourages people, particularly those who take little or no exercise, to join regular, short health walks in their own communities. The Department of Health fund the initiative.

## 9.1 JNCC shared conservation income

	2009/2010	2008/2009
	£'000	£'000
Income from activities	941	535
European Union funds	92	14
	<b>1,033</b>	<b>549</b>

## 9.2 JNCC shared conservation expenditure

	2009/2010	2008/2009
	£'000	£'000
Staff costs	2,023	1,764
Conservation support	1,196	1,052
Other operating costs	577	527
Information and publicity	80	58
Notional costs (see Note 13)	4	5
	<b>3,880</b>	<b>3,406</b>

Natural England's share of JNCC has remained the same in 2009/10 as it was in 2008/09 at 37.07%. The percentage contribution of Natural England to JNCC is set by Defra in discussion with the devolved administrations in Scotland, Wales and Northern Ireland. See note 1.3 for further information.

## 10.1a Property, plant and equipment

	Land	Buildings	Leasehold improvements	Plant & machinery	Vehicles	Furniture & Fittings	Information Technology	Assets under construction (CIP)	Service Concessions Assets	Share of JNCC Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Gross Cost or valuation:</b>											
<b>At 1 April 2009</b>	<b>1,834</b>	<b>2,116</b>	<b>1,436</b>	<b>3,978</b>	<b>5,061</b>	<b>4,134</b>	<b>2,343</b>	<b>1,273</b>	<b>8,466</b>	<b>332</b>	<b>30,973</b>
Reclassifications							(525)				(525)
Assets identified not previously recorded	0	0	0	116	0	0	0	0	0	0	116
Additions	0	246	543	231	356	1,239	255	883	0	6	3,759
Disposals	0	0	0	(259)	(893)	(1,566)	(28)	0	0	(66)	(2,812)
Transfer from CIP	0	466	0	0	0	807	0	(1,273)	0	0	0
Net Revaluation	22	0	(4)	0	0	0	0	0	12,505	27	12,550
<b>At 31 March 2010</b>	<b>1,856</b>	<b>2,828</b>	<b>1,975</b>	<b>4,066</b>	<b>4,524</b>	<b>4,614</b>	<b>2,045</b>	<b>883</b>	<b>20,971</b>	<b>299</b>	<b>44,061</b>
<b>Depreciation:</b>											
<b>At 1 April 2009</b>	<b>0</b>	<b>272</b>	<b>82</b>	<b>2,815</b>	<b>3,743</b>	<b>2,625</b>	<b>462</b>	<b>0</b>	<b>2,226</b>	<b>239</b>	<b>12,464</b>
Reclassifications	0	0	0	0	0	0	(105)	0	0	0	(105)
Assets identified not previously recorded	0	0	0	47	0	0	0	0	0	0	47
Charged in year	0	98	144	305	503	337	358	0	2,283	38	4,066
Disposals	0	0	0	(229)	(876)	(1,351)	(3)	0	0	(65)	(2,524)
Net Revaluation	0	0	0	0	0	0	0	0	0	21	21

At 31 March 2010	0	370	226	2,938	3,370	1,611	712	0	4,509	233	13,969
<b>Written down net values:</b>											
at 31 March 2010	1,856	2,458	1,749	1,128	1,154	3,003	1,333	883	16,462	66	30,092
at 31 March 2009	1,834	1,844	1,354	1,163	1,318	1,509	1,881	1,273	6,240	93	18,509
<b>Asset Financing:</b>											
Owned	1,856	2,458		1,128	1,154	3,003	1,333	883		66	11,881
Leased			1,749						16,462		18,211
<b>Net book value at 31 March 2010</b>	<b>1,856</b>	<b>2,458</b>	<b>1,749</b>	<b>1,128</b>	<b>1,154</b>	<b>3,003</b>	<b>1,333</b>	<b>883</b>	<b>16,462</b>	<b>66</b>	<b>30,092</b>

All freehold land (except non-operational heritage assets) and buildings are stated at fair value, and are 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 2005/2006 by external valuers, Smiths Gore, by their Royal Institute of Chartered Surveyors qualified staff. In between professional revaluations, values are updated annually where material, using indices from the Property Market Report issued by the Valuation Office.

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 IS 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.

Any changes to the contract are negotiated and introduced via an approved contract change note. As the contract was only subject to approval on 1st February 2010 there have been no subsequent amendments to the contract during the remainder of the 2009/10 financial year.

There is flexibility in terms of termination providing the option to end the service or key aspects thereof. The financial penalty for this clause is on a sliding scale depending on several factors, including time left on the contract.

## 10.1b Property, plant and equipment (restated)

	Land	Buildings	Leasehold improvements	Plant & machinery	Vehicles	Furniture & Fittings	Information Technology	Assets under construction	Service Concessions Assets	Share of JNCC assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Gross Cost or valuation:</b>											
<b>At 1 April 2008</b>	<b>1,491</b>	<b>3,015</b>	<b>419</b>	<b>3,852</b>	<b>4,080</b>	<b>3,680</b>	<b>2,280</b>	<b>647</b>	<b>7,792</b>	<b>333</b>	<b>27,589</b>
IFRS adjustments	0	0	0	0	0	3	0	0	0	0	3
Assets identified not previously recorded	0	0	0	0	0	32	0	0	0	0	32
Additions	0	0	1,113	75	757	623	63	827	0	28	3,486
Disposals	0	(13)	0	(167)	(356)	(126)	0	0	0	(48)	(710)
Transfer from CIP	0	0	0	0	0	201	0	(201)	0	0	0
Transfer to Assets held for sale	0	(1,115)	0	0	0	0	0	0	0	0	(1,115)
Net Revaluation	343	229	(96)	218	580	(279)	0	0	674	19	1,688
<b>At 31 March 2009</b>	<b>1,834</b>	<b>2,116</b>	<b>1,436</b>	<b>3,978</b>	<b>5,061</b>	<b>4,134</b>	<b>2,343</b>	<b>1,273</b>	<b>8,466</b>	<b>332</b>	<b>30,973</b>
<b>Depreciation:</b>											
<b>At 1 April 2008</b>	<b>0</b>	<b>162</b>	<b>22</b>	<b>2,492</b>	<b>3,200</b>	<b>2,605</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>240</b>	<b>8,721</b>
IFRS adjustments	0	0	0	0	0	2	(123)	0	0	0	(121)



## 10.2a Intangible assets

	Software licenses	Work in progress	Share of JNCC assets	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation:</b>				
<b>At 1 April 2009</b>	<b>1,730</b>	<b>516</b>	<b>79</b>	<b>2,325</b>
Reclassifications	525	0	0	525
Additions	223	0	0	223
Net Revaluation	0	0	8	8
Transfer from WIP	516	(516)	0	0
<b>At 31 March 2010</b>	<b>2,994</b>	<b>0</b>	<b>87</b>	<b>3,081</b>
<b>Amortisation:</b>				
<b>At 1 April 2009</b>	<b>232</b>	<b>0</b>	<b>41</b>	<b>273</b>
Reclassifications	105	0	0	105
Charged in year	483	0	12	495
Net Revaluation	0	0	7	7
<b>At 31 March 2010</b>	<b>820</b>	<b>0</b>	<b>60</b>	<b>880</b>
<b>Written down values:</b>				
<b>at 31 March 2010</b>	<b>2,174</b>	<b>0</b>	<b>27</b>	<b>2,201</b>

## 10.2b Intangible assets (restated)

	Software licenses	Work in progress	Share of JNCC assets	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation:</b>				
<b>At 1 April 2008</b>	<b>1,086</b>	<b>0</b>	<b>61</b>	<b>1,147</b>
IFRS adjustments	1	0	0	1
Additions	766	516	15	1,297
Disposals	(46)	0	0	(46)
Net Revaluation	(77)	0	3	(74)
<b>At 31 March 2009</b>	<b>1,730</b>	<b>516</b>	<b>79</b>	<b>2,325</b>
<b>Amortisation:</b>				
<b>At 1 April 2008</b>	<b>44</b>	<b>0</b>	<b>29</b>	<b>73</b>
IFRS adjustments	122	0	0	122
Charged in year	122	0	11	133
Disposals	(48)	0	0	(48)
Net Revaluation	(8)	0	1	(7)
<b>At 31 March 2009</b>	<b>232</b>	<b>0</b>	<b>41</b>	<b>273</b>
<b>Written down values:</b>				
<b>at 31 March 2009</b>	<b>1,498</b>	<b>516</b>	<b>38</b>	<b>2,052</b>
<b>at 1 April 2008</b>	<b>1,042</b>	<b>0</b>	<b>32</b>	<b>1,074</b>

### 10.3 Non-current Non-Operational Heritage assets

As at 31 March 2010 there were 224 National Nature Reserves (NNRs) in England, 131 of these are wholly owned or leased by Natural England or are under Nature Reserve Agreements (NRA). 77 NNRs are wholly managed by an Approved Body. 16 NNRs are managed by both Natural England and one or more Approved Bodies. During the year Natural England declared new NNRs at Kinder Scout in Derbyshire, managed by an Approved Body, and Skipwith Common in Yorkshire, managed by Natural England under a Nature Reserve Agreement.

The area of Natural England's declared NNRs is as follows:	31 March 2010	31 March 2009	31 March 2008
	Hectares	Hectares	Hectares
Land owned by Natural England	19,872	19,872	19,872
Land leased by Natural England	29,877	29,877	29,877
Land under Nature Reserve Agreements	15,389	15,117	15,117
93 NNRs managed wholly/partly by Approved Bodies	29,203	28,347	28,237
	<b>94,341</b>	<b>93,213</b>	<b>93,103</b>

The NNRs have been classified as non-operational heritage assets and therefore no valuation has been placed upon them. We receive adequate information on NNR condition and maintenance which enables us to fulfil our stewardship role of the NNRs. It is not our intention to dispose of these assets in the foreseeable future, given their importance to natural heritage. In accordance with Treasury guidance we consider that obtaining a valuation of these assets is not warranted in terms of the benefits which the valuation would deliver. In line with HM Treasury requirements contained within the FReM, Natural England will comply with FRS 30 – Heritage Assets from 2010/11. This requires that all Heritage Assets are included within the Statement of Financial Position.

### 11. Agricultural biological assets

The biological assets held by Natural England are the breeding cows and sheep at Parsonage Down Farm, Salisbury. 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 cost are charged to the net expenditure account. Lambs born close to the Statement of Financial Position date are not valued as valuations are unreliable until lambs reach maturity.

	Breeding cows	Pedigree Longhorn cows	Ewes	Rams	Total
	£'000	£'000	£'000	£'000	£'000
<b>As at 1 April 2008</b>	33	10	20	2	65
Additions	0	0	8	2	10
Disposals	(1)	0	(9)	(2)	(12)
Revaluations	4	1	0	0	5
<b>As at 31 March 2009</b>	<b>36</b>	<b>11</b>	<b>19</b>	<b>2</b>	<b>68</b>
<b>As at 1 April 2009</b>	36	11	19	2	68
Additions	6	3	10	0	19
Disposals	(2)	(1)	(19)	0	(22)
Revaluations	0	0	7	(1)	6
<b>As at 31 March 2010</b>	<b>40</b>	<b>13</b>	<b>17</b>	<b>1</b>	<b>71</b>
Physical quantities of each of the biological assets;					
As at 1 April 2009	71	22	236	9	338
As at 31 March 2010	79	26	197	8	310

## 12. Current assets classified as held for sale

	31 March 2010	31 March 2009	1 April 2008
	£'000	£'000	£'000
<b>Cost or valuation:</b>			
<b>As at 1 April</b>	<b>1,004</b>	<b>485</b>	<b>536</b>
Additions			0
Disposals	(1,004)	(485)	0
Revaluations		(100)	(51)
Assets identified as "held for sale in year"		1,115	0
<b>As at 31 March</b>	<b>0</b>	<b>1,015</b>	<b>485</b>
Depreciation as at 31 March	0	(11)	0
<b>Written down values:</b>	<b>0</b>	<b>1,004</b>	<b>485</b>

As at 31 March 2010, no new properties were identified as being held for sale during the next financial year.

Natural England sold three properties during 2009/10 as follows;

- Foxhold House, Thornford Road, Crookham Common, Berkshire. RG 19 8EL
- Asquith House, Leyburn Business Park, Harmby Road, Leyburn, North Yorkshire DL8 5QA
- Roughmoor, Bishops Hill, Taunton TA1 5AA

### 13. Cost of capital

	2009/2010	Restated 2008/2009	2007/2008
	£'000	£'000	£'000
Cost of capital	1,389	1,705	1,394
JNCC shared conservation	(4)	(5)	(6)
	<b>1,385</b>	<b>1,700</b>	<b>1,388</b>

The calculation of notional cost of capital is based on a 3.5% cost of capital on average net assets. See note 1.20.

### 14. Financial instruments

As the cash requirements of Natural England are met through Grant-in-Aid 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 Grant-in-Aid provided by the Department for Environment, Food and Rural Affairs, 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-performance 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

The table below shows Natural England's commercial bank balance which would be exposed to interest rate risk as at 31 March in each year. All balances are shown in £ sterling.

	31 March 2010	31 March 2009
	£'000	£'000
Short term investments in relation to Bequest funds	293	263
Project Cash in commercial bank accounts	2,105	1,408

Book value of the assets and liabilities disclosed are not materially different from fair values.

## 15. Impairment

	2009/2010	2008/2009	2007/2008
	£'000	£'000	£'000
Charge to Net Expenditure Account	3	249	121
Charge to Revaluation Reserve	248	60	1
	251	309	122

## 16. Inventories

	31 March 2010	31 March 2009	1 April 2008
	£'000	£'000	£'000
Farm stocks	78	81	62
JNCC publications	19	20	23
	<b>97</b>	<b>101</b>	<b>85</b>

## 17. Trade receivables and other current assets

### 17.1 Amounts falling due within one year:

	31 March 2010	31 March 2009	Restated 1 April 2008
	£'000	£'000	£'000
Defra receivables & Accrued Income	Note a 9,695	172	442
Trade receivables	738	1,730	379
Other receivables	421	1,690	1,685
Aggregates Levy Sustainability Fund accrued Grant in Aid income	4,500	0	0
Prepayments & Accrued income	846	304	401
JNCC shared conservation	102	111	353
	<b>16,302</b>	<b>4,007</b>	<b>3,260</b>

Note a) Includes £9m of income relates to Bolton Fell Moss as disclosed in note 8.

### 17.2 Amounts falling due after one year:

	31 March 2010	31 March 2009	1 April 2008
	£'000	£'000	£'000
Housing loans to staff	21	29	53
Accrued income	0	19	105

	21	48	158
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Housing loans relate to loans inherited from predecessor organisations, Natural England has not carried on this practice of giving housing loans to staff at preferential interest rates. As at 31 March 2010, loans over £2,500 outstanding to staff both due within one year and after one year amounted to £22,457 (£33,758 at 31 March 2009). The numbers of staff in receipt of loans over £2,500 outstanding at 31 March were:

	31 March 2010	31 March 2009	1 April 2008
	No of staff	No of staff	No of staff
£2,500 to £5,000	3	4	4
£5,001 to £10,000	2	3	4

No Executive Director had a loan.

**Note:** The analysis of the 2008/2009 data was enhanced and therefore the 2007/2008 data was adjusted to aid comparison.

### 17.3 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 as at 31 March were;

Intra Government Balances	2009/2010		2008/2009	
	Accounts Receivable: amounts falling due within one year	Accounts Receivable: amounts falling due after more than one year	Accounts Receivable: amounts falling due within one year	Accounts Receivable: amounts falling due after more than one year
	£'000	£'000	£'000	£'000
Balances with other central government bodies – Defra	14,195	0	172	0
Balances with other central government bodies – Other	909	0	1,230	0
Balances with local authorities	123	0	35	0

Balances with NHS Bodies	4	0	72	0
Balances with public corporations	38	0	0	0
Balances with bodies external to government	1,033	21	2,498	48
<b>Total at 31 March</b>	<b>16,302</b>	<b>21</b>	<b>4,007</b>	<b>48</b>

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

## 18. Cash and cash equivalents

	31 March 2010	31 March 2009	1 April 2008
	£'000	£'000	£'000
<b>Balance at 1 April</b>	<b>13,682</b>	<b>7,800</b>	<b>21,157</b>
Net change in cash and cash equivalent balances	3,435	5,882	(13,357)
<b>Balance at 31 March</b>	<b>17,117</b>	<b>13,682</b>	<b>7,800</b>
<b>The following balances at 31 March were held at:</b>			
Paymaster General Accounts	14,378	11,775	6,846
Commercial bank accounts	2,105	1,408	609
JNCC balances	341	236	102
Short term investments	293	263	243
	<b>17,117</b>	<b>13,682</b>	<b>7,800</b>

Up to December 2009, Natural England held all surplus funds in a Paymaster General Office account within the Bank of England. This account did not pay interest.

The Government Banking Service (GBS) is the new banking services shared service provider to the public sector. GBS is part of HM Revenue and Customs and was launched in May 2008. GBS has procured new banking services with the Royal Bank of Scotland Group (RBS) and Citibank (Citi). Funds held in these accounts will remain in the Exchequer (GBS will sweep cash from departmental accounts at Citi & RBS throughout the day so that the Debt Management Office will retain use of these funds), so will not be classed as commercial bank accounts.

In line with guidance issued on 18th December 2008 "Managing Public Money Annex 5.7", public sector organisations are required to use the GBS as far as possible to ensure that their banking arrangements offer value for money.

Natural England migrated to the GBS in December 2009.

Treasury guidance for public sector organisations are that balances in commercial accounts should be minimised. The only funds held in commercial accounts by Natural England are

- those relating to externally funded projects, which have such a requirement. These are held in interest bearing deposit accounts.
- Short-term investments relate to bequest funds held in a business premium account with Barclays bank.

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.

## 19. Trade payables and other payables

### 19.1 Amounts falling due within one year

	31 March 2010	Restated 31 March 2009	Restated 1 April 2008
	£'000	£'000	£'000
Defra payables and Accruals	10,812	32,538	50,926
Other Accruals	26,792	28,922	24,922
Bolton Fell Moss	9,000	0	0
Trade payables	4,202	7,944	14,476
Other taxation and Social Security	1,948	1,738	1,761
Walk your way to Health Deferred income	2,669	0	0
Big Lottery Access to Nature Deferred income	1,521	63	0
Deferred income other	951	1,133	1,288
VAT payables	44	24	58
Deferred Catchment Sensitive Farming income	0	0	968
Deferred Aggregates Levy Sustainability Fund income	0	0	5
JNCC Shared Conservation	373	325	451
	<b>58,312</b>	<b>72,687</b>	<b>94,855</b>

The liability owed to Defra at 31st March 2010 comprises of £7m in relation to the charges for the IBM Enabling contract, £2.7m is in relation to lease payments for the IBM assets which Natural England uses (in line with IFRIC 12), £0.3m in relation to estates recharges and £0.8m in relation to other Defra expenditure. A reduction can be seen in relation to Defra accruals as in 2008-09 as they have adopted quarterly billing.

The accruals include £2.6m (£3.2m 2008/09) in relation to employee benefits – unused annual leave at 31 March 2010 in accordance with IAS 19.

### 19.2 Amounts falling due after one year

	31 March 2010	Restated 31 March 2009	Restated 1 April 2008
	£'000	£'000	£'000
Defra payables	13,739	3,700	5,566

Defra have contract with IBM for the provision of IT services and infrastructure assets, and Natural England are a party to this contract. This contract was renewed on 1st February 2010. It aims to support Natural England by providing a modernised IT infrastructure, in line with the wider government IS 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 the Natural England has the option to purchase specified assets at net book value on exiting the contract. This gives the Natural England control of the assets during the life of the contract.

Included within finance leases is the future liability to pay for these "right of use" assets to IBM. The current liability (included within note 19.1 above) is £2,722,060 (2008/09 £2,539,891), the non-current liability (included within note 19.2 above) is £13,739,038 (2008/09 £3,699,566).

### 19.3 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 disclose the balances between itself and other bodies within the public sector. The amounts falling due as at 31 March were:

Intra Government Balances	2009/2010		Restated 2008/2009	
	Accounts Payable: amounts falling due within one year	Accounts Payable: amounts falling due after more than one year	Accounts Payable: amounts falling due within one year	Accounts Payable: amounts falling due after more than one year
	£'000	£'000	£'000	£'000
Balances with other central government bodies – Defra	10,812	13,739	32,538	3,700
Balances with other central government bodies – Other	8,252	0	3,288	0
Balances with local authorities	6,843	0	2,829	0
Balances with NHS Bodies	3	0	9	0
Balances with public corporations	1,507	0	1,845	0
Balances with bodies external to government	30,895	0	32,178	0
<b>Total at 31 March</b>	<b>58,312</b>	<b>13,739</b>	<b>72,687</b>	<b>3,700</b>

### 20.1 Deferred EU Revenue Grant

	31 March 2010	31 March 2009	1 April 2008
	£'000	£'000	£'000
Balance brought forward at 1 April	0	39	344
Interest receivable	0	0	2
Revenue grant received in the year	0	0	(97)
	<b>0</b>	<b>39</b>	<b>249</b>
Transferred to Natural England income	0	(39)	(210)
<b>Balance at 31 March</b>	<b>0</b>	<b>0</b>	<b>39</b>

## 20.2 Deferred EU Capital Grant

	31 March 2010	31 March 2009	1 April 2008
	£'000	£'000	£'000
Balance brought forward at 1 April	0	0	4
Transfer to Operating Cost Statement to cover depreciation for the year	0	0	(4)
<b>Balance at 31 March</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 21. Provisions for liabilities and charges

	Balance at 1 April 2008	Balance at 1 April 2009	Provided in the year	Provisions utilised in the year	Provisions not required written back	Balance at 31 March 2010
	£'000	£'000	£'000	£'000	£'000	£'000
Dilapidations and onerous contracts	975	4,622	769	(799)	0	4,592
Early Retirement	9,216	2,551	101	(685)	(48)	1,919
Litigation	0	875	750	0	(875)	750
Pensions by analogy	273	309	17	(11)	0	315
Pensions other	0	0	84	0	0	84
JNCC	0	25	97	(22)	0	100
	<b>10,464</b>	<b>8,382</b>	<b>1,818</b>	<b>(1,517)</b>	<b>(923)</b>	<b>7,760</b>

	In the remainder of spending review period to 2011	Between 2012 and 2016	Between 2017 and 2021	Balance at 31 March 2010
	£'000	£'000	£'000	£'000
Dilapidations and onerous contracts	4,138	454	0	4,592
Early Retirement	557	1,278	84	1,919
Litigation	750	0	0	750
Pensions by analogy	29	143	143	315
Pensions other	84	0	0	84
JNCC	9	45	46	100
	<b>5,567</b>	<b>1,920</b>	<b>273</b>	<b>7,760</b>

There are no amounts expected to be called after 2021.

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 Transition Programme.

The early retirement and severance provision represents the liability for severance and pension payments relating principally to the 2007-08 Voluntary Early Retirement and Severance programme. 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.

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 (Current Chair). See note 6.4.

## 22. Capital commitments

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

	31 March 2010	31 March 2009
	£'000	£'000
Property, plant and equipment	558	173
Intangible assets	0	0

## 23. Commitments under leases

### 23.1 Operating leases

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

	31 March 2010	31 March 2009
Obligations under operating leases comprise:	£'000	£'000
<b>Land</b>		
Not later than one year	501	501
Later than one year and not later than five years	1,841	1,788
Later than five years	4,269	4,616
	<b>6,611</b>	<b>6,905</b>
<b>Buildings</b>		
Not later than one year	83	85
Later than one year and not later than five years	221	259
Later than five years	565	604
	<b>869</b>	<b>948</b>

### 23.2 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 NE 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 38 properties subject to MOTU arrangements, with a prescribed average term of length of 3 years.

Within the Net Expenditure Account 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 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.

	31 March 2010	31 March 2009
Future obligations under MOTU agreements comprise:	£'000	£'000
<b>Buildings</b>		
Not later than one year	3,066	4,055
Later than one year and not later than five years	6,357	7,225
Later than five years	6,026	7,323
	<b>15,449</b>	<b>18,603</b>
<b>Land</b>		
Not later than one year	2	1
Later than one year and not later than five years	2	2
Later than five years	0	0
	<b>4</b>	<b>3</b>

### 23.3 Obligations under service concession arrangements

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

	31 March 2010	31 March 2009
	£'000	£'000
Rentals due within 1 year	2,722	2,540
Rentals due within 2 to 5 years	10,888	3,700
Rentals due thereafter	2,851	0
Amount Payable	16,461	6,240

### 23.4 Finance leases

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

## 24. Commitments under Private Finance Initiative (PFI) contracts

### 24.1 Off-balance sheet

One of the office Buildings located in Cambridge, and occupied by Natural England under a MOTO arrangement, is owned and was built by Defra under a PFI contract. The estimated value of the entire PFI is £18.2m, and based on occupancy share, Natural England's share of this is £4.1m. The contract started in February 2001, based on a 30 year lease to 31 March 2033, to be reviewed in February 2031. To ensure consistency across the Defra family, Natural England are disclosing this asset as a PFI commitment as Natural England occupy 22.56% of the site.

### 24.2 Charge to the Net Expenditure Account and future commitments

The total amount charged to the Net Expenditure Account in respect of off-balance sheet PFI transactions was £913,681 (£1,010,786 2008-09). Future payments to which Natural England are committed as at 31 March 2010 are £948,000 (£938,000 2008/09), which all fall due within the period of 20 years to 25 years.

## 25. Other financial commitments

Natural England has non-cancellable future commitments in relation to estates facilities management costs (Interserve contract) due to occupation of property and in relation to Business Continuity Planning. The commitments are consistent with arrangements containing a lease as defined by IFRIC 4.

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

These commitments combined are as follows;

	31 March 2010	31 March 2009
	£'000	£'000
Not later than one year	3,819	7,079
Later than one year and not later than five years	15,243	10,619
Later than five years	12,888	0
	31,950	17,698

## 26. Capital reserve

This reserve newly established 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.

		31 March 2010	Restated 31 March 2009
		£'000	£'000
Balance brought forward at 31 March		19,188	0
<b>IFRS adjustment at 1 April 08 – IFRS 1 – First time adoption</b>			
Establishment of Capital Reserve		0	18,469
<b>Balance at 1 April</b>		<b>19,188</b>	<b>18,469</b>
<b>Movement on non-current assets and assets held for sale during the year</b>	10.1 & 10.2		
Additions		3,974	4,784
Disposals		(3,761)	(1,241)
Revaluations & Impairments (incl IFRIC 12)		12,524	1,516
Depreciation		(2,122)	(3,935)
Assets identified not previously recorded (incl IFRIC 12)		116	16
Revaluation reserve		275	(289)
JNCC transfer to Revaluation reserve		0	(132)
<b>Balance at 31 March</b>		<b>30,194</b>	<b>19,188</b>

## 27. Revaluation reserve

	31 March 2010	31 March 2009
	£'000	£'000
Balance brought forward at 1 April	2,444	2,023
Net revaluations and impairments in year	25	693
Transfer from Revenue Reserve	(300)	(404)
JNCC movements in the year	0	132
<b>Balance at 31 March</b>	<b>2,169</b>	<b>2,444</b>

## 28. Revenue reserve

		31 March 2010	Restated 31 March 2009
		£'000	£'000
Balance brought forward at 1 April		(66,930)	(78,015)
<b>IFRS adjustment at 1 April 08 – IFRS 1 – First time adoption</b>			
Employee Benefits (IAS 19) – Annual leave provision	1.21.3		(3,137)
Establishment of Capital Reserve			(18,469)
<b>Balance 1 April under IFRS</b>		<b>(66,930)</b>	<b>(99,621)</b>
<b>Grant In Aid Received</b>			
Core Funding – Natural England		242,611	247,000
Catchment Sensitive Farming (CSF)		10,494	8,454
Aggregates Levy Sustainability Fund (ALSF)		0	4,000
Marine		2,031	363
Environmental Damage Regulations (EDR)		110	60
Species		300	0
Joint Nature Conservation Committee (JNCC)		2,872	2,898
<b>Grant In Aid Received in year</b>		<b>258,418</b>	<b>262,775</b>
<b>Accrued Grant In Aid</b>			
Catchment Sensitive Farming (CSF)		0	1,354

Aggregates Levy Sustainability Fund (ALSF)		4,500	0
<b>Total Grant in Aid Received in year</b>		<b>262,918</b>	<b>264,129</b>
<b>Deferred Grant In Aid</b>			
Catchment Sensitive Farming (CSF)		0	968
Aggregates Levy Sustainability Fund (ALSF)		0	6
<b>Total Grant In Aid credited to reserves</b>		<b>262,918</b>	<b>265,103</b>
Grant in aid can be analysed into its constituent parts are follows;			
Revenue		258,944	260,363
Capital		3,974	4,740
<b>Total Grant In Aid credited to reserves</b>		<b>262,918</b>	<b>265,103</b>
<b>Other Revenue Movements</b>			
Increase in bequests reserve		34	19
Net expenditure for the financial year		(230,273)	(230,308)
Add back Notional Capital Charge	13	(1,385)	(1,700)
Fixed Asset related			
Transfer to Capital Reserve		(11,006)	(719)
Assets identified not previously recorded		69	16
Transfer to Revaluation Reserve		300	404
<b>Joint Nature Conservation Committee (JNCC)</b>			
Transfer to Revaluation reserve		0	(125)
Change in share of JNCC		0	1
<b>Balance as at 31 March</b>		<b>(46,273)</b>	<b>(66,930)</b>

## 29. Contingent liabilities disclosed under IAS 37

Natural England has the following contingent liabilities;

Contingent Liability	As at 31 March 2010	As at 31 March 2009
	£	£
Claims and Litigation	200,000	590,000

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.

## 30. Losses, special payments and gifts

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

	2009/10		2008/09 *Restated	
	£'000	Number	£'000	Number
Losses/ Write offs	107	58	48*	23*
Special Payments	238	8	5	2
Gifts	1	6	1	4
	<b>346</b>	<b>72</b>	<b>54</b>	<b>29</b>

\* The 2008/09 figures have been restated.

The number of reported losses has increased due to greater awareness and associated reporting. The 2009/10 figures include £75,000 relating to a payroll allowance error identified in the year by Defra Shared Services, and this resulted in a one-off payment to the HMRC.

The special payments include one in respect of the reassignment of a property lease. In addition JNCC made five unapproved payments referred to in the Statement of Internal Control. Natural England have consolidated their share of these payments above.

## 31. Events after the Reporting Date

There were no events after the reporting date. These accounts were authorised for issue by the Accounting Officer who is the Chief Executive, Dr Helen Phillips on 8 July 2010.

## 32. Related party transactions

Natural England is a Non-Departmental Public Body sponsored by the Department for Environment, Food and Rural Affairs. Natural England, Scottish Natural Heritage, the Countryside Councils for Wales and Northern Ireland execute their joint functions through the Joint Nature Conservation Committee and provide funding for the Committee on an agreed proportionate basis. The above bodies are regarded as related parties. During the year Natural England has carried out a number of material transactions with these bodies 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 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:

Member / Senior staff	Corporate related body	Total payments made	Total income received	Amount owed by Natural England at 31/03/10	Amount owed to Natural England at 31/03/10	Nature of transaction
		£'000	£'000	£'000	£'000	
P Allen	NFU Mutual	0	0	0	0	Goods and services
L Crowe	Sheffield Hallam University	0	0	0	0	Goods and services
L Crowe	Countryside Recreation Network	13	0	0	0	Goods and services
L Crowe	Association of National Park Authorities	60	0	0	0	Goods and services
M Depledge	Peninsula Medical School	40	0	0	0	Goods and services
A Hams	Derbyshire Wildlife Trust	20	0	0	0	Goods and services
J Horwood	Centre for Environment, Fisheries & Aquaculture Sciences (CEFAS)	24	0	0	0	Goods and services

D Hulyer	Heritage Lottery Fund (HLF)	0	326	0	0	Grant income
D Hulyer	National Heritage Memorial Fund	0	826	0	0	Grant income
D Macdonald	Wildfowl & Wetlands Trust	12	0	0	0	Goods and services
C Pennell	Heritage Lottery Fund (HLF)	0	326	0	0	Grant income
C Pennell	Peak District National Park Authority	289	7	0	0	Goods and services
H Phillips	The Food and Environment Research Agency (FERA)	68	0	0	0	Goods and services
J Smyllie	Telos Partners	26	0	0	0	Goods and services
P Warhurst	Pennine Prospects	15	0	0	0	Goods and services
A Wilson	North Yorks Moors National Park Authority	133	7	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 £108,000 in 2009/10. Controls exist to ensure staff are unable to authorise their own Environmental Stewardship agreements.

Professor David Macdonald, a member of the Non Executive Board has an interest in a farm which has been in receipt of Environmental Stewardship Agreement payments. In 2009/10 these payments amounted to £752 (£752 2008/09).

# Board Members

This is a summary of Board Members' Interests for 2009/2010

## Mr Poul Christensen (Chair) CBE

Date appointed: 3 December 2009  
Appointed until: 31 December 2012

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 senior partner 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; was a member of the Defra Management Board until December 2009; and is a Board member of the UK's Joint Nature Conservation Committee.

Poul 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).

## Dr Helen Phillips (Chief Executive)

Ex-officio member of the Board

Helen was appointed Natural England's first Chief Executive in February 2006 by. She is also a member of Natural England's Board and is the Accounting Officer of Natural England and is the lead accounting officer for Joint Nature Conservation Committee. She has 15 years experience in the environment sector gained at the Environment Agency and the National Rivers Authority. Helen has led a major change programme, transforming the business over the last three years through achieving greater levels of protection and improvement for places and nature by engaging, raising and aligning people's energy to establish a public body with clear priorities for the natural environment. This has been achieved with a relentless focus on performance, delivery and increasing effectiveness and value for money.

Helen has a degree in zoology and a Ph.D. in freshwater biology from University College Dublin. She is an alumnus of the Cambridge industry programme, a Fellow of the Society of Biology and a member of the Association of Chief Executives.

## Mr Peter Allen

Date appointed: 2 May 2006  
Appointed until: 30 September 2011

Responsibilities include: North West region (except Mersey belt) and Lake District National Park

Peter is a 17th generation Lakeland tenant hill farmer. He is also Chairman for the North West Regional Advisory Board of the NFU Mutual, and the Responsible use of Medicines Alliance.

Peter holds membership of the National Office of Animal Health Code of Practice Committee, and Standing Conference for Country Sports. He has been a Board member of the North West Development Agency since December 2007.

During the year, Peter has ceased his position as Chairman of the EU Sheep Advisory Committee and membership of Moorland Access Advisory Group.

## Ms Sarah Burton

Date appointed: 2 May 2006  
Appointed until: 30 September 2009

Responsibilities include: London region

In February 2009 she was appointed Deputy Programme Director for Greenpeace International following a 3 year period as the Campaign Programme Director for Amnesty International. Between 1990 and 2001, Sarah held various positions with Greenpeace UK and has served a number of years as a Trustee of Greenpeace Environmental Trust. She is an advisor for "Stand up for your Rights" and is also a Director of Canonbury Villas Limited and Laser Kilns Limited.

Sarah was a Council Member for English Nature from 2005-2006, before taking up the appointment of Board Member for Natural England.

## Professor Lynn Crowe

Date appointed: 2 May 2006  
Appointed until: 30 September 2010

Responsibilities include: Yorkshire and the Humber region, Peak District National Park and Natural England's Science Advisory Committee.

Lynn is Professor of Environmental Management at Sheffield Hallam University and responsible for the management of the Countryside Recreation Network. She also sits on the Forestry Commission's Public Forest Estate Study Working Group, and the Access to Nature Grants Panel (part of the Big Lottery Fund).

Lynn was a member of the Peak District National Park Authority from 1996-2006 and a Council Member for English Nature from 2005-2006, before taking up the appointment of Board Member for Natural England.

Ordinary membership is held in the Royal Society for the Protection of Birds, the Campaign for the Protection of Rural England and the International Council of Monuments and Sites.

## Professor Michael Depledge

Date appointed: 2 May 2006  
Appointed until: 30 September 2009

Responsibilities include: South West region (Devon and Cornwall), Dartmoor National Park and Natural England's Science Advisory Committee

Michael is Chair of Environment and Human Health, and Interim Director of the European Centre for Environment and Human Health at the Peninsula Medical School, Devon, and is a Member of the Royal Commission on Environmental Pollution. Michael is also Visiting Professor in the Department of Zoology, Oxford University, Advisor to Vice-Chancellor, University of Westminster, and Chairman of the Science Advisory Committee of DG-Research in the European Commission. He is a Fellow of the Institute of Biology and the Royal Society of Arts.

Michael was formerly Chief Scientific Advisor to the Environment Agency (2002-2006), a Board Member of the Natural Environment Research Council, and an Honorary Visiting Scientist at Harvard University.

## Ms Catherine Graham-Harrison OBE

Date Appointed: 1 January 2009  
Appointed until: 31 December 2011

Responsibilities include: South East Region, Broads Authority, South Downs National Park and Audit and Risk Committee

Since 1994 Catherine has worked as a consultant, mainly in the not for profit sector. Prior to that, she was a Vice President of Citibank and then Chief Executive of the Paul Hamlyn Foundation. She is currently a trustee of the Foundling Museum and a Governor of Coram, and has held a large number of other 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 is a member of the National Trust Architecture Panel.

## Mr Tony Hams OBE

Date appointed: 2 June 2006  
Appointed until: 30 September 2011

Responsibilities include: All "Protected Landscapes", The New Forest, North York Moors National Parks, and the East of England Region

Tony is Chair of Derbyshire Wildlife Trust and the East Midlands Biodiversity Partnerships. He was formerly the Chair of the UK Association of National Park Authorities, the Peak District National Park Authority, the Heritage Lottery Fund Committee for the East Midlands, and a member of the East Midlands Regional Sports Board.

Tony has a professional background in planning, conservation, recreation and sustainable development. Tony was a Countryside Agency Board Member from 2000-2006, leading on protected areas, planning and energy issues before joining the Natural England Board. He was awarded an OBE in 2000 for services to sustainable development.

Tony is a member of Open Spaces Society, Derby University Court and received an Honorary Doctorate from the University of Derby in 2008.

## Professor David Hill

Date appointed: 2 May 2006  
Appointed until: 30 September 2012

Responsibilities include: North East region, Northumberland National Park, Joint Nature Conservation Committee, Natural England's Science Advisory Committee and Audit and Risk Committee.

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.

David is a Fellow and past President of the Institute of Ecology and Environmental Management. He has published extensively on ecological issues and currently he is a Director of the Yorkshire Dales Rivers Trust, and the JNCC Company.

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

## Dr Joe Horwood

Date appointed: 1 October 2009  
Appointed until: 30 September 2012

Responsibilities include: Lead Board member for marine, Natural England Science Advisory Committee and Marine Protected Areas sub-group on the Joint Nature Conservation Committee.

Joe Horwood has a background in mathematics and zoology applied in marine ecology and resource management. He is currently Chief Science Advisor, and a non-executive Board member, at the Centre for Environment, Fisheries and Aquaculture Science (CEFAS). 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 is a member of UK Marine Science Co-ordination Committee; Defra Marine Fisheries Stakeholder Forum; Defra Marine Science Advisory Committee; Seafish Domestic Catch and Processing Advisory Committee; and the Advisory Panel of York University M.Res. Course.

He has served on the science advisory committees of the International Whaling Commission, ICES and the EC. 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

Date appointed: 2 May 2006  
Appointed until: 30 September 2010

Responsibilities include: South West region, Exmoor and Dartmoor National Parks

Doug is an independent advisor for the heritage and natural environment sector. He was previously the Director of Conservation, Programmes and Developments for the Wildfowl & Wetlands Trust.

Doug is a committed environmentalist, environmental educator and conservationist with over 30 years 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 Learnings 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, Freshwater Biological Association, Institute of Directors, The Chartered Institute of Water and Environmental Management, RSPB and the National Trust.

In June 2008, Doug ceased his position as Chairman of the Wetland Vision project.

Doug was a Council Member for English Nature between 2002-2006, before taking up the appointment of Board Member for Natural England.

## Professor David Macdonald

Date appointed: 2 May 2006  
Appointed until: 30 September 2011

Responsibilities include: Chair of Natural England's Science Advisory Committee.

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.

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

During the year David ceased his position as a Non Executive Director of the Nature Bureau.

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

## Mr Christopher Pennell

Date appointed: 2 May 2006  
Appointed until: 30 September 2010

Responsibilities include: East Midlands region and Chair of Natural England's Audit and Risk Committee.

Christopher has spent 27 years in the coal industry, ten as the National Trust's East Midlands Director, thirteen as a Parish Councillor and three as a trustee of CPRE in the Peak District and South Yorkshire. He was a founder member of the East Midlands Heritage Forum and a member of the East Midlands Rural Affairs Forum.

He is currently a Secretary of State nominated Member of the Peak District National Park Authority and Vice-Chair of its Services Committee and the Chairman of the Countryside Awards Panel of CPRE (Peak District and South Yorkshire).

He is Chair of the East Midlands Committee of the Heritage Lottery Fund and holds ordinary membership of The Friends of the Peak District; CPRE; National Trust; English Heritage; Sheffield Wildlife Trust and the Liberal Democrat Party.

Christopher was a Council Member for English Nature from 2005-2006 before taking up the appointment of Board Member for Natural England.

## Ms Pam Warhurst CBE

Date appointed: 2 May 2006  
Appointed until: 31 December 2009

Responsibilities include: North West (Mersey belt) and London regions, Yorkshire Dales National Park and Audit and Risk Committee

Pam is currently a Fellow of the Royal Society of Arts and Manufacturing. She chairs Pennine Prospects, a regeneration company for the South Pennines, and Incredible Edible Todmorden, a local food partnership.

Pam owns H & P Properties, is an ordinary member of The National Trust and was a Board Member of the Plunkett Foundations Rural Revival Board to December 2007. She is currently a Board member for West Yorkshire Tourism Partnership, and Yorkshire Tourist Board.

Her other previous posts include Chair of a Health Trust, Leader of a Local Authority, a member of an RDA and a member on Committee of Regions.

In 2005 Pam was awarded the CBE in recognition of her services to the environment. Pam was Deputy Chair of the Countryside Agency before taking up the appointment of Board Member for Natural England.

## Mr Andy Wilson

Date Appointed: 1 January 2009

Appointed until: 31 December 2011

Responsibilities include: West Midlands Region

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, Yorkshire Wildlife Trust and was a member of the Yorkshire and Humber Assembly Sustainable Development Board until April 2009.

# Annex 1

## Sustainability and Environment Report

### Purpose

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

The UK Government's Sustainable Development Strategy "Securing the Future" [Defra, March 2005] sets out the Government's sustainable development strategy with the overarching aim to 'enable all people throughout the world to satisfy their basic needs and enjoy a better quality of life without compromising the quality of life of future generations'.

The lead government department for sustainability is Defra, and it is their role to oversee the delivery of the Strategy, although the public sector as a whole share responsibility for making sustainable development a reality. The strategy recognises the importance of government leading by example on all aspects of sustainability performance.

On 26th November 2008, the Climate Change Act 2008 received Royal Assent. This act laid down legally binding targets to reduce national greenhouse gas emissions by at least 80% by 2050, and reductions in CO<sup>2</sup> emissions of at least 34% by 2020, against a 1990 baseline.

The Government has set 'Sustainable Operations on the Government Estate (SOG E)' targets which may apply to Natural England from 2010-11. These are targets set to reduce the environmental impact of carbon emissions on the Government Estate and are monitored and reported on annually.

In 2008-09 Natural England reported for the first time on sustainability issues. In 2009-10 new guidance was issued by HM Treasury "Sustainability Reporting in the Public Sector" which produced a framework for public sector bodies. This guidance is to be adopted by the Government's Financial Reporting Manual (FRM), with effect from 1 April

2011 [for more information see [http://www.hm-treasury.gov.uk/frem\\_sustainability.htm](http://www.hm-treasury.gov.uk/frem_sustainability.htm)]. In line with this guidance Natural England has chosen to adopt early the reporting framework in 2009-10, and will report on how our environmental performance supports sustainability. In 2009-10 not all aspects required in the reporting framework are currently monitored, but we will develop a baseline for these missing items during 2010-11. The information to be provided is;

### i) Greenhouse gas (GHG) emissions

These are often commonly referred to as carbon accounting or carbon footprinting. These are split down into a further three areas known as 'scopes';

- Scope 1: Direct GHG Emissions – These occur from sources owned or controlled by Natural England. Examples include emissions as a result of combustion in boilers, or emissions from fleet vehicles.
- Scope 2: Energy Indirect Emissions – As a result of electricity that we consume which is supplied by another party. For example, electricity supply in buildings.
- Scope 3: Other indirect GHG Emissions – All other emissions which occur as a consequence of our activity but which is not owned or controlled by Natural England. These include for example emissions as a result of staff travel on official business.

### ii) Waste minimisation and management

Data on waste is required to be collated (in line with SOGE targets) for all offices and land owned by Natural England;

- Waste to landfill (residual office waste)
- Waste reused/recycled (paper, aluminium cans & glass)
- Waste incinerated
- Hazardous waste

### iii) Use of finite resources.

This category is broken down into use of water, energy and other finite resources.

Water sources are again classified by 'Scope';

- Scope 1: Water owned or controlled by Natural England. This would include water reserves in lakes, reservoirs and boreholes.
- Scope 2: Purchased water, steam or ice. This would include mains water supply as well as other deliveries of water ie for coolers.
- Scope 3: Other indirect water. This would include embodied water emissions in products and services.

### Summary of Environmental Performance

The Natural England Board and executive are committed to demonstrating our credibility as an environmental leader by reducing the environmental impact of the organisation's operations and has set some very ambitious targets to demonstrate this.

One of Natural England's objectives as a Distinctive Public Body is that we will demonstrate environmental leadership through adopting excellent sustainable working practices – particularly in estates management, business travel, modern ways of working and sustainable procurement. Central to our approach will be a challenging 50% net reduction in the carbon emission associated with our estates and our business travel by the end of 2010. This will be achieved without relying on carbon offsetting schemes or by passing our emission to staff, suppliers or customers. We will also demonstrate good value for money in the delivery of this target.

We have calculated our carbon footprint baseline as 6676tCO<sub>2</sub> (tonnes of carbon dioxide) for the 2007 calendar year. The largest sources of carbon emissions are our buildings and our business travel, so we have focused on carbon footprint reductions

in these two areas. This has required significant changes in both our building management and our ways of working and travelling. We have developed a carbon reporting system that enables us to monitor carbon emissions from our estate and business travel on a monthly basis and report against targets within the Corporate Planning Management System. Both the reporting system and supporting processes were accredited to the Carbon Trust Standard in early 2010. In the 2008 calendar year we reduced our carbon emissions from estates and business travel by 17.4% and in 2009 increased this to 26.2%. Our target has been to reduce our carbon emissions by 40% by the end of March 2010. However, despite better than expected reductions in our travel carbon emissions, several of our planned estate moves to more sustainable premises have been delayed into quarters 1 and 2 of 2010-11. Whilst we are on course to achieve our 50% target by December 2010, we achieved 29% by March 2010.

In 2008-09 Natural England adopted a new Sustainable Procurement Policy that integrated social and environmental considerations into its procurement practices and also launched a Sustainable Timber Policy and a Sustainable Food and Catering Policy. The organisation met its commitment for achieving Level 3 of the Sustainable Procurement Flexible Framework by December 2009 ahead of time with the support of our suppliers. We will ensure that our sustainability objectives and expectations are set out clearly in new contracts and we will work with suppliers in developing a partnership approach to future procurement activity.

The establishment of an organisation-wide Sustainability Network has enabled almost every team across the organisation to contribute to our sustainability objectives. With representation from both Natural England's teams and offices, the Network is critical to reducing the environmental impact of our operations across our estate. The Network initially used 2008/2009 as an opportunity to identify the most

significant environmental aspects of our office accommodation and in 2009-10 it has played an integral role in communicating sustainable ways of working across teams and our estate and in co-ordinating the development and implementation of team travel carbon reduction targets and plans.

In 2009-10 Natural England signed up to the 10:10 campaign, which aims to get individuals, schools, businesses and organisations working together to achieve a 10% cut in the UK's carbon emissions in 2010. We have encouraged the sign up to the 10:10

campaign among our staff as this will not only help us to reach our own target, but gives everyone the opportunity to contribute to a nation-wide effort to make simple carbon-cutting changes to our lifestyles, homes and workplaces. We have further supported our staff in reducing their domestic energy emissions through the provision of home energy meters on a loan basis as well as a carbon calculator to calculate the carbon emissions of working from home versus commuting to the office.

### Our Performance summary for 1 January 2009 to 31 December 2009

Area	Actual Performance	Target Performance
Carbon dioxide emissions	4,927 tonnes (-26.2%)	4,423 tonnes (-32.5%)
Carbon saving expenditure	£457,000	£457,000
Total waste	Not monitored	N/A
Residual office waste	Not monitored	N/A
Total waste expenditure	£0	£0
Water consumption	Not monitored	N/A
Water Expenditure	£77,694	N/A
Total energy consumption	8.7 million kWh	7.3 million kWh
Buildings energy consumption	8.7 million kWh	7.3 million kWh
Total energy expenditure	£524,919	N/A

### Governance

The sustainability performance in relation to the reduction of travel related carbon emissions and that of our estates is monitored and managed through the use of our Corporate Performance Management System and the balanced scorecard approach. Our methodology and system has gained accreditation to the Carbon Trust Standard, demonstrating both the robustness of the data and the soundness of the process. Data is taken from a number of sources including staff expense claims, travel expenditure information and utility bills.

We have developed our own bespoke system for converting travel financial data into travel carbon footprints at both the organisational, team and individual level. We use the utility data supplied by Interserve (our estates facilities provider) to calculate the carbon footprint of our estate.

During 2009-10 we have strengthened the governance of our carbon reduction activity through the appointment of a Board Sustainability Champion and a Sustainability Statement signed by our Chair. Our Executive Director, Corporate

Services acts as executive sponsor and reports on a monthly basis to the Executive Board on progress towards our target as well as the individual travel carbon footprints of our Executive Board and Executive Leadership Group. A Sustainability

Steering Group with representatives from across the organisation meets on a monthly basis. A Carbon Dashboard, Project Plan and Carbon Tracker are reported to the Steering Group and across the whole organisation on a monthly basis.

## Sustainability Performance Report for the Calendar year 2009

Greenhouse Gas Emissions		2007	2008	2009
Non-Financial Indicators (tCO <sub>2</sub> e)	Total Net Emissions for Scopes 1 & 2	5,102	3,964	3,696
	Gross emissions attributable to Scope 3 official business travel	1,574	1,548	1,231
Financial Indicators (£k)	Carbon Reduction Commitment (CRC) Gross Expenditure (2010 onwards)	N/A	N/A	N/A
	Expenditure on accredited offsets (eg Government Carbon Offsetting Fund (GCOF))	0	0	0
	Expenditure on official business travel	£3,877	£4,448	£3,373
<b>Targets and commentary</b>				
We have a target to reduce our carbon emissions by 50% by the end of 2010 and an interim target of reducing our emissions by 40% by the end of March 2010.				
<b>Direct impacts commentary</b>				
The main direct impacts for us in terms of carbon emissions are from our operational electricity, gas and oil consumption and road, air and public transport mileage. Strategies are in place to reduce these direct impacts through efficiency programmes. Our consumption of all these resources is however vulnerable to extreme weather and the operational impact this has on us. Our figure for gross emissions attributable to official business travel include vehicle mileage from our pool vehicle fleet, lease vehicles and hire cars as well as 'grey fleet' casual business use. Public transport emissions from train, tube and bus journeys are included in our carbon footprint alongside the emissions associated with air travel and taxi use.				
<b>Overview of indirect impacts</b>				
Natural England is able to influence the emissions of its supply chain significantly through procurement specifications and through sharing our approach with other organisations.				

## Waste

### Targets and commentary

We are currently working on baseline information on which to develop a target to reduce all waste with a view to publishing this as part of our emerging Sustainable Development Action Plan.

### Direct impacts commentary

The main direct impacts of waste for Natural England are in relation to office waste although further waste surveys are underway to identify and quantify significant waste arising across the organisations.

### Overview of indirect impacts

Natural England is able to place certain quality objectives on its suppliers in terms of their waste disposal performance. Natural England is currently working alongside suppliers to improve both the culture and actual performance in relation to waste management and disposal.

## Finite Resource consumption - Water

2007-08

2008 09

2009-10

Financial Indicators (£k) | Water supply costs

N/A

86

78

### Targets and commentary

Water audits are currently underway to identify the main sources of water consumption across the organisation with a view to incorporate any targets for water efficiency into our emerging Sustainable Development Action Plan.

### Direct 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.

<b>Finite Resource consumption - Energy</b>		<b>2007-08</b>	<b>2008 09</b>	<b>2009-10</b>
Financial Indicators (£k)	Total Energy Expenditure	N/A	801	525
<b>Targets and commentary</b>				
Our target is to reduce our consumption of energy resources from 4349tCO <sub>2</sub> in 2007 to 1546tCO <sub>2</sub> by the end of 2010. We will do this through a range of energy efficiency initiatives and downsizing or relocating our offices to more efficient premises.				
<b>Direct impacts commentary</b>				
Our main areas for energy consumption is heating for offices. A programme for office insulation and improving boiler controls was instigated during 2009-10 and delivered through our facilities management provider Interserve. We will continue to review the efficiency of our estate and, where appropriate, seek to improve efficiency through the installation of more energy efficient technology, supporting more energy efficient staff behaviours and either downsizing or relocating inefficient offices.				
<b>Overview of indirect impacts</b>				
We will work with suppliers to support the implementation of energy efficiency programmes within their own businesses. We will continue to work with other organisations in sharing our experience of reducing our own energy consumption.				

# Glossary

**Access to Nature** is a £25 million grant scheme designed to encourage people from all backgrounds to understand, access and enjoy our natural environment.

**Agri-environment schemes** pay farmers to encourage them to use their land in an environmentally-sensitive way. Currently, the largest of these schemes is Environmental Stewardship.

**Environmental Stewardship** has three elements:

- Entry Level Stewardship (ELS)
- Organic Entry Level Stewardship (OELS)
- Higher Level Stewardship (HLS)

ELS is a point-based scheme that gives farmers a number of options for managing their land in an environmentally-sensitive way. OELS is similar but is geared to organic farming systems. HLS builds on ELS and OELS but concentrates on individually tailored agreements that deal with more complex types of land management.

**Areas of Outstanding Natural Beauty (AONBs)** are large areas of land designated under the National Parks and Access to the Countryside Act 1949. They are designated in order to conserve and enhance the natural beauty of these areas. There are 36 AONBs in England, one of which is partly in Wales. They cover approximately 15% of the English countryside.

**Big Lottery Fund** was formed in 2004, the result of a merger between the New Opportunities Fund and the Community Fund. It is responsible for giving out half the money for good causes raised by the National Lottery. It has an annual budget of around £630 million.

**Biodiversity Action Fund** The 'Countdown 2010 Biodiversity Action Fund' was launched in 2005 and is administered by Natural England. The £3.8 million fund supports projects carried out by voluntary organisations that help to increase the diversity of species and habitats in England.

**Biodiversity Action Plan (BAP)** The United Kingdom Biodiversity Action Plan is the government's response to the 'Convention on Biological Diversity' adopted at the Rio Earth Summit in 1992. The BAP comprises action plans for the conservation of 391 rare or endangered species and 45 habitats. It also includes 162 Local Biodiversity Action Plans designed to focus local action for species and habitats.

**Campaign to Protect Rural England (CPRE)** is a registered charity with over 60,000 members and supporters. Formed in 1926 to limit urban sprawl and ribbon development, the CPRE has influenced public policy relating to town and country planning in England, most notably in the formation of the National Parks, AONBs and Green Belts.

**Catchment Sensitive Farming (CSF)** is a programme that encourages farmers to reduce the amount of agricultural pollution entering waterway catchments. A catchment is a drainage basin that feeds a stream, river or wetland and these are often polluted by excess nutrients from agricultural fertilisers and animal manure.

**Climate Change Bill** was published in March 2007. It is a draft law aimed at moving the UK to a lowcarbon economy. The bill aims to cut the UK's carbon emissions by 60% by 2050 (compared to 1990 levels), but an intermediate target is to cut emissions by 26–32% by 2020.

**Common Agricultural Policy (CAP)** Income support payment to farmers and market management measures complimented by support for rural development with the overall aim of securing the European model of multi-functional agriculture.

**Countdown 2010** – a scheme designed to halt biodiversity loss by 2010.

**Countryside Stewardship Scheme (CSS)** was an agri-environment scheme run by the Government from 1991 to 2004. It has since been superseded by the Environmental Stewardship scheme. Existing CSS agreements continue to be honoured; the last agreements will end in 2013.

**Department for Environment, Food and Rural Affairs (Defra)** is the Government department responsible for environmental protection, food production and standards, agriculture, fisheries and rural communities in England. Defra was formed in June 2001 when the Ministry of Agriculture, Fisheries and Food merged with part of the Department of Environment, Transport and the Regions and part of the Home Office.

**Discovering Lost Ways** is a project that aims to establish an effective process by which historic rights of way (those in existence before 1949) can be identified and officially recorded. The cut-off date for the project is January 2026.

**Energy Crops Scheme (ECS)** See Agri-environment schemes – The scheme, which replaces the Energy Crops Scheme 2000–2006, will provide grants to land managers to plant Miscanthus (Elephant Grass) and Short Rotation Coppice crops to produce biomass energy. Energy crops are used as a substitute for fossil fuels and can help mitigate climate change.

**Entry Level Stewardship (ELS)**  
See Agri-environment schemes

**Environmental Stewardship**  
See Agri-environment schemes

**Environmentally Sensitive Areas (ESAs)** are areas of agricultural land that need special protection because of their landscape, wildlife or historical value. The ESA scheme has now been superseded by Environmental Stewardship. Existing ESA agreements continue to be honoured; the last agreements will end in 2014.

**Equality Impact Assessments (EIA)** a process that enables checks on how a service or policy affects groups of people covered by equalities legislation and to then make any necessary changes.

**Founding Bodies** Natural England was formed in 2006 through the merger of three founding

bodies: English Nature, Countryside Agency (the 'Landscape, Access and Recreation' division) and the Rural Development Service (environmental land management functions).

**Hampton Principles Reforms** recommended by Sir Philip Hampton in his 2005 report Reducing administrative burdens: effective inspection and enforcement. Amongst other things the reforms outlined in the report include: giving advice and support to businesses on how to comply with regulations; reducing the number of forms and requests made for information; and setting standards for service delivery.

**Higher Level Stewardship (HLS)**  
See Agri-environment schemes

**Land Use Policy Group (LUPG)** comprises representatives from the UK statutory conservation, countryside and environment agencies. Marine Bill is currently being prepared by Defra. Its aim is to ensure that we have clean, healthy, safe, productive and biologically diverse oceans and seas. To do this, the Bill will put in place a better system for delivering the sustainable development of the marine and coastal environment. This will address both the use and protection of our marine resources.

**Marine Protected Area (MPA)** is a marine area where restrictions have been put in place to protect its living, non-living, cultural, and/or historic resources. MPAs are often created to protect a rare marine habitat and/or species from potentially damaging commercial or recreational activities.

**National Nature Reserves (NNR)** are areas of national, and sometimes international, importance that are owned or leased by Natural England or managed in accordance with its wishes. NNRs are used primarily for nature conservation.

**Natural England Multiple Objectives (Nemo)** project is exploring ways in which the methods

used to promote Catchment Sensitive Farming can be used to promote other Natural England objectives, such as improving access and enhancing biodiversity and landscapes. It is also looking at the ways in which Environmental Stewardship can be targeting and prioritised to enhance its positive effect on the natural environment.

**Natural Environment & Rural Communities Act 2006 (NERC Act 2006)** the Act of Parliament that established Natural England.

**Non Departmental Public Body (NDPB)** is a body which plays a role in the processes of national government, but is not a government department or part of one. Executive NDPBs are established by statute and carry out administrative, regulatory and commercial functions. They employ their own staff and are allocated their own budgets. All executive NDPBs are subject to external audit.

#### **Organic Entry Level Stewardship (OELS)**

See Agri-environment schemes

**RAG status** A qualitative assessment of performance as one of Green – on target, Amber Green – Caution leading towards on target, Amber Red – Caution leaning towards below target, Red – Below Target, Black – Interim definition: Action to deliver or reprioritise this Target is required immediately.

#### **Rural Development Programme for England (RDPE)**

A 7 year programme that determines how EU co-financed rural development funding will be spent in England.

**Sites of Special Scientific Interest (SSSI)** are areas of land designated under the Wildlife and Countryside Act 1981. These sites are of interest by reason of their flora, fauna, or geological or physiographic features, and it is considered to be in the national interest to conserve them. SSSI condition is assessed as: Favourable – all the notified features on the site are meeting their

conservation objectives. Unfavourable recovering – some or all of the notified features are not meeting their objectives but all management measures are in place to bring about full recovery. It may take several years before the site can be assessed as 'favourable'. Unfavourable declining or unfavourable no change – some or all features are not meeting their conservation objectives. Sites classed as both Favourable and Unfavourable Recovering are classed as meeting the target to have 95% of SSSIs in favourable condition by 2010.

**Special Areas of Conservation (SACs)** are protected areas established under the European Union's Directive on Habitats. SACs are chosen for their importance as natural habitat types and as the habitats of rare and endangered species identified in the Directive (this lists 220 habitats and approximately 1,000 species). SACs complement Special Protection Areas (SPAs), and together they form a network of protected sites across the European Union known as Natura 2000.

**Species Recovery Programme** Traditional species conservation focuses on preserving existing habitats and species. In contrast, the Species Recovery Programme takes a more proactive approach and works to restore and recreate habitats, and reintroduce plant and animal species that have been lost in the wild.

**State of the Environment Reports** are produced by government and other organisations on a national and local level. These reports are concerned with the condition of the environment and natural resources; they detail the nature of changes and trends in the natural environment, the processes and human activities that affect the environment, and the significance of these changes.

**Strategic Direction** Natural England's Strategic Direction is a document that outlines Natural England's corporate strategy for the years 2006 – 2009 and describes the full remit of the organisation's roles and responsibilities.

**Sustainable Development Fund (SDF)** reflects Defra's objectives of sustainable development, partnership and social inclusion. It will aid the achievement of National Park purposes by encouraging individuals, community groups and businesses to cooperate together to develop practical sustainable solutions to the management of their activities.

## List of acronyms used in this Annual Report

Acronym	Full description of acronym
AONB	Area of Outstanding Natural Beauty
BAP	Biodiversity Action Plan
CAP	Common Agricultural Policy
CLA	Country Land and Business Association
CQuEL	Character and Quality of England's Landscapes
Defra	Department for Environment, Food and Rural Affairs
EA	Environment Agency
ECSFDI	English Catchment Sensitive Farming Delivery Initiative
EU	European Union
FC	Forestry Commission
JNCC	Joint Nature Conservation Committee
HLS	Higher Level Stewardship
IFCAs	Inshore Fisheries and Conservation Agencies
LAF	Local Access Forum
NERC Act 2006	Natural Environment & Rural Communities Act, 2006
NFU	National Farmers' Union
NNR	National Nature Reserve
PSA	Public Service Agreement
RDPE	Rural Development Programme for England
RPA	Rural Payments Agency
RSPB	Royal Society for the Protection of Birds
SAIF	Sustainable Access to Inshore Fisheries
SSSI	Site of Special Scientific Interest
UAA	Utilisable Agricultural Area
UK	United Kingdom





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