

# Annual Report and Accounts

## 1 April 2008 to 31 March 2009





NE191

# Natural England

## Annual Report and Accounts 1 April 2008 to 31 March 2009

Presented to Parliament by the Secretary of State, in pursuance of Schedule 1, Sections 23(1), 24(4) and 25 of the Natural Environment and Rural Communities Act 2006

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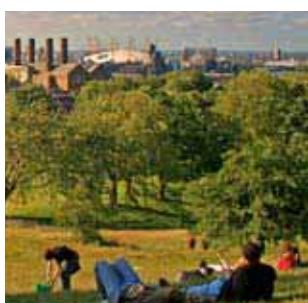
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Natural England is here to conserve and enhance the natural environment, for its intrinsic value, the wellbeing and enjoyment of people and the economic prosperity that it brings.



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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

Welcome to our third annual report and accounts.

It is now two and a half years since Natural England was formed, and thanks to the commitment and hard work of our staff and partners, we have made great progress towards achieving the challenges we set out for ourselves in our Strategic Direction.

We will build on the legacy of our founding Chair, Sir Martin Doughty, who died this year. Sir Martin's leadership, and his passion for the natural environment and for increasing and improving people's access to it, were an inspiration to all of us and he is sadly missed.

This year was a year of delivery. More than 88% of our Sites of Special Scientific Interest are now in favourable or recovering condition, while 72% of Natural England-led Biodiversity Action Plan priority species are on track to recovery.

We have invested time in defining our ambitions to inspire people to value and conserve the natural environment, building on the success of our healthy walking scheme – now the largest in Europe. We've also increased the number of volunteers who work with us, mapped accessible greenspace across the country to help us target where we can improve access provision further, and have projects underway to develop four of our National Nature Reserves as visitor destination centres.

We have continued to deliver our part of the Rural Development Programme for England, securing agreements with, and delivering advice to, land managers which make a real contribution to sustainable use of the natural environment – 65% of England's farmland is now in one of our environmental stewardship schemes. Through these schemes we invest £400 million each year into local economies. Our local advisors work in partnership with farmers to carefully target public money to: enable sustainable food production; boost our much loved wildlife; manage our iconic landscapes; tackle climate change; and provide opportunities for people to enjoy the countryside and learn more about farming.

We are providing leadership in meeting the challenge of climate change through the publication of our four Climate Change Character Area reports. These set out what will be required to adapt to climate change and to inform the implementation of the Climate Change Act and provide a contribution to shaping the decisions that will collectively secure a future for the natural environment.

We have significantly improved our efficiency to provide real value for public money, achieving £23 million efficiencies since vesting, and our progress in reducing our carbon footprint is providing a lead for other public sector organisations to follow.

But many challenges remain. In this year, the 60th anniversary of the National Parks and Access to the Countryside Act, we will continue to focus on increasing people's access to the natural environment and enjoyment of it and will deliver through projects such as the creation of a coastal footpath around England, and a new campaign to get one million children outdoors into nature.

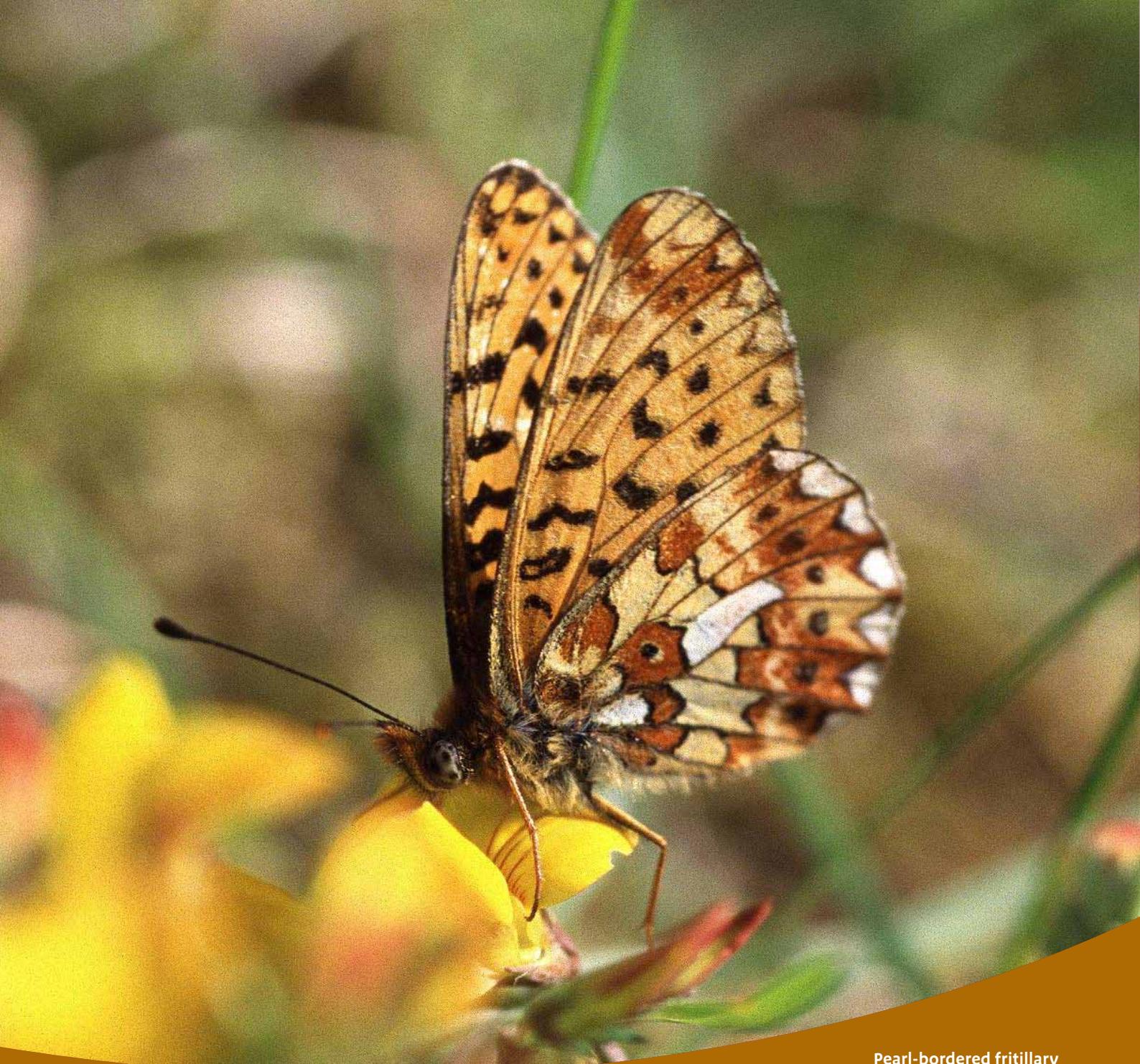
We will continue to be a leading delivery organisation and authoritative voice for the natural environment.



*Poul Christensen . Helen Phillips*

**Poul Christensen**  
Acting Chair

**Helen Phillips**  
Chief Executive



Pearl-bordered fritillary

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.



Spider crabs

## Highlights in our third year

- 88.4% of SSSI land was brought into favourable or recovering condition, representing an in-year gain of 5.7%.
- Brought more than 50,000 ha (65%) of Biodiversity Action Plan (BAP) priority habitat into HLS agreements and 72% of Natural England-led BAP species on track to recovery.
- Increased the quantity of bird-friendly habitats by over 4,000 ha through Environmental Stewardship, to help halve the decline of farmland birds.
- Collaborated with Defra and local authorities to establish a new South Downs National Park.
- Began addressing our European Landscape Convention Action Plan responsibilities by ensuring that Landscape and Geodiversity partnerships exist in all of England's regions.
- Established an overarching policy on Landscape, and consulted on detailed policies on 'Future Landscapes' and 'All Landscapes Matter'.
- Completed a survey of potential marine sites for designation as Special Areas of Conservation (SAC), as well as securing Lundy as the first ever 'No take' Marine Protected Area (MPA).
- Progress made on securing an effective Marine Bill, developing four regional Marine Conservation Zone projects and the necessary guidance to support their work.

## Looking ahead

- We will lead on the implementation of the European Landscape Convention, and publish a report on the state of England's soils.
- We will ensure 93% of SSIs are in favourable or recovering condition and bring our programme of condition assessment fully up to date.
- We will maintain 95,000 ha of biodiversity priority habitat in beneficial management via new HLS agreements.
- We will help to ensure the Government puts in place a Marine Act 'with teeth'.
- We will work in partnership through four Regional Seas Projects to engage stakeholders in the selection of Marine Conservation Zones to achieve the Government's aim of establishing a coherent network of MPAs by 2012.
- We will deliver a programme of outreach events on National Nature Reserves celebrating the 60th anniversary of the 1949 National Park and Access to the Countryside Act.



## Case study: South West Farmland Bird Initiative

Natural England is taking a leading role in working with conservation bodies, land managers and farmers, and volunteers to help to stop and reverse the decline in wild and farmland bird numbers. There are a range of options in Environmental Stewardship which give added help to farmland birds. In the past year Natural England exceeded its target for securing new farmland bird options.

The South West Farmland Bird Initiative (SWFBI) is an exciting and pioneering partnership, which is working with the farming community and other partners within four defined target areas spread across some 400,000 ha of Gloucestershire, Wiltshire and Dorset countryside. These areas are recognised as being nationally important for farmland birds and other wildlife found within the wider countryside. The SWFBI focuses on increasing the populations of six nationally important bird species associated with arable farmland: lapwing; grey partridge; turtle dove; yellow wagtail; tree sparrow; and corn bunting. Additionally, other species will benefit such as the skylark, brown hare and arable plants like shepherd's needle and corn marigold.

A key feature of the SWFBI is its partnership approach and the initiative consists of four sister projects, each led by a different partner organisation. Four advisors – one each for the Cotswolds, North Wessex, Cranborne Chase and Dorset – will deliver a combination of tailored advice via one-to-one farm visits and

workshops where best practice can be shared. Implementation of 'wildlife-friendly' land management practices offered through Natural England's Environmental Stewardship schemes will be crucial to the project's success.

Farmers have welcomed the £400,000 partnership project, which will run until March 2011. The initiative will encourage land managers to put the right measures in place to help them deliver the three things that farmland birds most need: winter seed food, summer invertebrate food and places to nest, thus contributing to the Government's objective of reversing the decline in farmland bird populations.



Lapwing

### Partners



Farming &  
Wildlife  
Advisory  
Group



THE  
NATIONAL  
TRUST

DE  
DEFENCE ESTATES  
Delivering Better Solutions in Defence Estates



DORSET  
BIODIVERSITY  
PARTNERSHIP

Game & Wildlife  
CONSERVATION TRUST

NFU

PLANTLIFE  
More plants our planet our future

## Case study: Wetland Vision

The partners in Wetland Vision (Natural England, the Environment Agency, RSPB, English Heritage and the Wildlife Trusts) launched their shared 50-year vision for the future of our freshwater wetlands with the support of Minister Joan Ruddock in July 2008 at the Wildfowl and Wetland Centre in London (see [www.wetlandvision.org.uk](http://www.wetlandvision.org.uk)).

Natural England has allocated almost £6 million over three years to the Wetland Vision, which will also support the lowland wetland BAP targets which Natural England leads. During 2008–9 the project contributed £2 million to projects funding:

- major land purchase in the Lancashire Mosslands (led by the Lancashire Wildlife Trust) and at Hesketh marshes on the Lancashire coast (led by the RSPB); and
- wetland restoration work with Wildlife Trusts, the Environment Agency and local authorities in the Severn Avon Vales and Mayesbrook in London.

At Baston and Thurlby fens in Lincolnshire the project will expand the existing fragment of original fenland by restoring 114 ha of farmland to lowland fen, wet woodland and reedbed habitat. Natural England's contribution of £250,000 has enabled the Lincolnshire Wildlife Trust to secure £2 million of lottery funding to purchase and manage land adjacent to the nature reserve. The



Planned wetland restoration site at Baston Fen

resulting 200% increase in Lincolnshire's remaining fenland will make a significant contribution to expanding the wider East Anglian fenland landscape area, which was targeted for further wetland creation by the Wetland Vision project partners.

### Partners



Environment  
Agency



ENGLISH HERITAGE





Randwick Woods, Cotswold Way

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.



Improving Natterjack Toad habitat, Sandscale Haws, Cumbria

## Highlights in our third year

- Developed a major new three-year survey to measure the extent and trends in people's engagement with the natural environment.
- Conducted five pilot projects to involve school-aged children in local greenspace design.
- Received two million hits in the first month of operation of the BBC - Natural England Event Finder used in support of natural history broadcasts such as 'Springwatch', 'AutumnWatch' and the 'Nature of Britain'.
- Expanded the Walking the Way to Health Initiative by increasing the number of health walks by 15% (28% above baseline) and increasing participation in health walks by 20% (37% above baseline).

## Looking ahead

- We will roll out a new ambitious engagement programme to give one million children a high-quality learning experience in the natural environment, with 250,000 involved each year over the next three years.
- We will increase participation in health walks by 50% having secured funding from the Department of Health.
- We will demonstrate quality standards for access provision on our own estate by establishing three 'champion' National Nature Reserves with exemplar visitor facilities and interpretation.
- We will implement the Government's Marine Bill provisions by establishing a statutory framework for coastal access by 2010.

## Case study: Walking the Way to Health

The Walking the Way to Health Initiative is now the largest outdoor walking programme in the European Union, with over 32,000 participants in 2,000 health walks every week throughout the 525 health walking groups. We have also trained over 37,000 volunteers to support that delivery.

A good example of how the initiative inspires and mobilises local people to value and conserve the natural environment and help shape and improve their health and wellbeing is the work of Natural England's Active London team.

During spring 2009 Natural England's Active London team supported NHS London to deliver the first element of 'Go London' – a programme utilising the capital's hosting of the 2012 Olympic Games to generate a health legacy for Londoners through increased participation in physical activity. Go London, as part of their wider 'Think Feet First' campaign, worked with the Active London Team to promote walking during March 2009 through the provision of Walking Ambassador schemes. Through our expertise and key partnership links we enabled 17 London Boroughs, with the lowest levels of physical activity, to highlight the value of walks in London's natural environment drawing on NHS London funds (£70,000). This engaged thousands of Londoners in the 195 walks and required an additional project support officer (funded by NHS London) within Natural England to help co-ordinate activity.

As part of the campaign in partnership with NHS London, we also helped create walking literature promoting the value of walking in the natural environment, which was delivered to all GP surgeries and hospitals across the capital.

This work (coupled with our ongoing projects with primary care trusts to further explore how the natural environment can play a role in health solutions in an urban setting) has demonstrated the potential and importance of establishing new working partnerships with the health sector to deliver mutually beneficial outcomes.



Hilt: get up and go walk group

### Partners



## Case study: One Million Children Outdoors – Schools programme

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.

Over the current school year, Natural England will deliver and evaluate five innovative school pilots aimed at testing new ways of fostering greater connection between primary school-aged children and their local green spaces and communities. Around 3,000 children from 20 schools located in areas of multiple deprivation in Bristol, South Buckinghamshire, Stoke-on-Trent, Barking and Merseyside are taking part in this initiative. In Stoke, for example, children from a cluster of schools surrounding the Park Hall National Nature Reserve are creating new walking routes through the reserve and helping to organise a wide range of promotional activities and events in their communities.

The design of the pilots has been aligned with a number of key government initiatives such as the Change for Life Campaign (DH), ActON CO<sub>2</sub> campaign (DEC) and the Learning Outside the Classroom manifesto (DCSF). Evidence and learning from the evaluation studies will be used to support discussions with these Departments, with the aim of scaling up the pilots.



Students from Oakridge Primary School in High Wycombe enjoying a visit to a nearby farm

### Partners



Environment  
Agency





Greenwich Park, London

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 the use of the 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.



Cat Bells, Lake District National Park

## Highlights in our third year

- Increased the total of England's agricultural land under agri-environment agreements from 59% to 65% (6.1 million ha).
- Launched a new approach to targeting Higher Level Stewardship incentives to maximise benefits, and a new on-line ELS tool to give a quicker and more accessible applications process.
- Reduced diffuse water pollution from agriculture. Working with the Environment Agency and Defra, we successfully completed Phase 1 of the England Catchment Sensitive Farming Delivery Initiative in 40 catchments across England, engaging over 6,000 farmers and delivering 1,400 capital grants.
- We are now involved with Regional Development Agencies and other key partners in all regions to influence regional strategies and other plans to deliver benefits to and from the natural environment.
- Developed 25 high quality Green Infrastructure projects with partners to benefit wildlife, access, health and climate change adaptation.
- Secured a requirement that all 20 new Growth Points must produce Green Infrastructure strategies, and a 40% Green Infrastructure standard for Eco-towns.
- Worked with the fishing industry to secure a sustainable future for the fisheries harvesting sector that balances the needs of the environment and fishing operations.
- Supported the Severn Tidal Power Group and DECC to put environmental considerations at the heart of discussions around options for tidal power generation.

- Established a close working relationship with the offshore renewables sector (DECC, British Wind Energy Association, Crown Estate) to ensure better understanding of the potential impacts of marine renewable energy developments on the marine environment.
- Worked with the Environment Agency, Defra and non-governmental organisations to deliver the Pitt Review recommendations on use of natural processes to respond to flood risk.

## Looking ahead

- We will ensure our planning considers the natural environment in a strategic way through the 11 National Policy Statements and 9 Integrated Regional Strategies.
- We will work with partners to create or improve Green Infrastructure in 70% of areas with major housing growth or regeneration.
- We will spend £367 million on RDPE agri-environment incentives to secure environmental and social benefits, and prepare the 2010 launch of Uplands ELS, ELS scheme changes and an enhanced advice programme.
- We will work with the farming industry and with our ELS customers at County level to ensure the environmental benefits that developed on uncultivated land including set-aside are retained and integrated into new and renewed ELS agreements and other voluntary measures farmers undertake as part of their role as custodians of the countryside.
- We will develop standards to improve sustainability in two marine sectors (renewable energy and fisheries) and produce a 'route map for renewable energy'.

## Case study: Higher Level Stewardship on common land

Money from the Rural Development Programme for England delivered through the Higher Level Stewardship Scheme plays a central part in securing biodiversity and improving the condition of our Sites of Special Scientific Interest.

This year Natural England secured agreements which increased the total of England's agricultural land in agri-environment schemes to 6.1 million ha (65% of the agricultural land area). Bringing common land under agreement makes a major contribution to our outcomes for the natural environment but presents a number of challenges.

We have been working with the Dawnay Estates and the North York Moors National Park Authority to bring 4,500 ha – or about 6,000 football pitches – of Danby Common into Environmental Stewardship. This is the first Common in the North York Moors National Park to be brought into agreement and it will benefit from £2 million worth of support as a result. Common land agreements, like Danby, are especially complex as local people have a stake in the future of the moor. At Danby there is a Court Leet – a centuries old commons system. Local involvement and support is crucial. Over the next ten years, the funding will be used to regenerate moorland by introducing and carefully managing sheep, heather burning regimes and improving information for visitors. As there are a number of land managers involved, the money is paid to a nominated agreement administrator who acts on behalf of the Danby Moors Environmental Stewardship Scheme Partnership.

Yorkshire's moorland is iconic, much loved by locals and visitors, and provides some of the country's best Open Access opportunities. Most is protected for its wildlife and landscape value; designated as either Site of Special Scientific Interest, Special Protection Area or Special Area of Conservation. Its peaty soils also have a significant role in locking up carbon, which is vital in helping us to better manage climate change.

The moors are central to the local economy, helping to support farming and sporting businesses.



Controlled sheep grazing helps to regenerate important heather moorland

### Partners



## Case study: Effective land management advice

This year Natural England delivered 16,608 advisory contacts with farmers and land managers.

Effective advice to farmers and land managers plays an important role in securing and enhancing sustainable environmental land management. It works alongside incentives and regulation by changing the way people act and influencing the decisions they make.

Natural England recognises that working in partnership with farming bodies and conservation organisations can effectively reinforce and extend our advice messages.

The advice events that launched the new High Weald HLS target area in the South East region offer a good example of these principles in practice. Over 60 farmers attended the two events, held in March 2009. Natural England advisers explained the rationale for selecting the Weald as a HLS target area, and encouraged attendees to apply for HLS. Representatives from a range of partner organisations including RSPB, Sussex Wildlife Trust, Sussex Otters and Rivers Partnership and the Butterfly Conservation Trust spoke at the events to explain the importance of specific scheme options for the various BAP target species HLS is aiming to conserve, particularly featuring tree sparrows and water voles.

The advice provided by Natural England and our partners at the two events resulted in 11 pre-application visit requests; 4 of those are now

developing HLS applications, the remainder have commissioned Farm Environmental Plan surveys to shape their applications. Additionally, those applications received include the specific management options highlighted at the events as important for local target species.



High Weald HLS target area, Kent

### Partners





Camley Street Nature Park,  
King's Cross, London

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.



**Walking at Adstone Hill, Shropshire**

## Highlights in our third year

- Successfully influenced the Climate Change Act, particularly the establishment of a new legal framework for delivering sustainable adaptation and influenced the EU's developing climate change policy, successfully achieving key amendments on adaptation in the European Parliament's report on climate change.
- Commissioned research, with Defra, looking at the non-market benefits of Environmental Stewardship, and the potential design and use of biodiversity offsets.
- Established an integrated horizon-scanning initiative with Defra Delivery Network, and produced the first synthesis report which combines futures findings from horizon-scanning and scenarios.
- Published a review of the role that land and marine managers can play as 'carbon managers' by protecting and enhancing vital carbon stores, especially in peatlands.
- Calculated that our current delivery of Environmental Stewardship reduces agricultural greenhouse gas emissions in England by 11% per year and so makes an important contribution to meeting the UK's greenhouse gas (GHG) reduction target.

- Completed a synthesis of existing land use evidence and strategies, which identified gaps and issues and informed the Foresight project and our drafting of an initial land use strategy.
- Developed draft climate change adaptation strategies in four landscape Character Areas (Cumbria High Fells, The Broads, Shropshire Hills and Dorset Downs) to demonstrate how locally-based action on the ground can deliver a natural environment resilient to climate change.

## Looking ahead

- We will publish our work on four possible future scenarios for the natural environment, and set out a compelling vision of the environment we want in 2060 and how we will get there.
- We will publish a narrative on the value of a healthy natural environment to our society, describing the services that it delivers, and on the costs of allowing our natural environment to deteriorate, and we will start trialling an ecosystem services approach to test and demonstrate delivery on the ground.
- We will ensure that the environment is central to climate adaptation policy and delivery at national and European levels, work with government on future adaptation indicators and energy policy, and deliver Character Area pilots to illustrate the impact of climate change in four new regions.

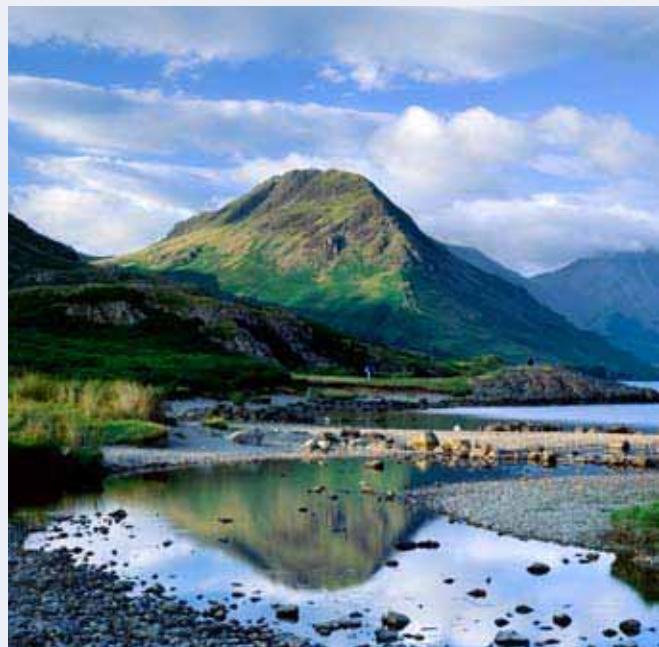
## Case study: Climate Change – Character Area Pilots

In March 2009 we published climate change adaptation strategies for four Character Areas; the Broads, Cumbria High Fells, Shropshire Hills and Dorset Downs. The reports identify local management responses that will better enable the natural environment, and our enjoyment of it, to adapt to changing climate conditions.

Each strategy identified a range of adaptation responses, but some of which were common to all areas. These included:

- improving the condition of existing habitats – for example, healthy blanket bog will sequester carbon as well as reducing flood risk;
- restoring lost and degraded habitats and ecosystems – for example, restoring functioning floodplains in the Norfolk Broads to cope with changes in rainfall patterns;
- extending existing habitats into new areas – for example, to allow species to colonise new areas in response to climatic changes; and
- adopting sensitive farming methods – for example, leaving vegetated buffer strips around fields to reduce the erosive impacts of climatic change.

We are now working with local partners to implement the strategies and the project is being extended across England into five more pilot areas. The experience gained will inform our approach to adaptation in the rest of England, in particular, providing valuable evidence to underpin the implementation of adaptation strategies that will be required by the Climate Change Act.



Wasdale, Cumbria

## Case study: Carbon management by land and marine managers

During 2008, we reviewed how land and marine managers can protect England's natural carbon stores and whether the carbon market could pay for restoring degraded carbon-rich habitats. We found that:

- peatlands are England's most important carbon store, containing at least 300 million tonnes, but they also emit significant amounts of CO<sub>2</sub> when they are degraded;
- England's lowland fens are losing between 3–5 million tonnes of CO<sub>2</sub> each year, which is a similar amount to annual emissions from UK cement production. We do not know how much carbon is being lost from the uplands; and
- peatland restoration will reduce carbon losses, but how much methane is emitted when they are re-wetted is uncertain. More research is needed before carbon revenues could be generated on a large scale.

The report was launched by the Secretary of State at a major Natural England conference in November 2008 and we are already implementing the report's recommendations. For example, we are funding research by Durham University to measure greenhouse gas fluxes and working with Defra to develop a national greenhouse gas monitoring programme.



Peatland restoration work, Peak District

These initiatives will shape future policy and underpin the role of peat in any future carbon markets. On the ground, we are delivering climate change mitigation through peatland restoration projects funded by Higher Level Stewardship and by contributions to partnerships, such as Moors for the Future in the Peak District National Park and Peatscapes in the North Pennines Area of Outstanding Natural Beauty.

### Partners





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 third year

- We have achieved significant recognition across a wide range of audiences through our advocacy during 2008/09, particularly through the launch of our 'State of the Natural Environment' report and our 'Manifesto for the Natural Environment'.
- Work to establish Natural England as an environmental leader progressed well during the year. Volume across all media has increased on last year by 73%. Prompted awareness with the public has risen from 21% to 29% in the year – the fastest increase in this index in any organisation by Ipsos MORI.
- We highlighted the impact of climate change in the Uplands at a successful conference for stakeholders.
- Our stakeholder survey has demonstrated that our evidence base continues to earn the trust of our stakeholders, with 71% agreeing that we take evidence-based decisions.
- We exceeded our cash efficiency target by 14% delivering £5.7m together with a Voluntary redundancy programme which achieved a £4m saving in 08/09.
- We have reorganised the way in which we process Environmental Stewardship payments. We are processing significantly more schemes with the same resources and can demonstrate productivity gains in 2008/09 in excess of £7m. 96% of Classic scheme payments (£98m) were paid by November – 10 weeks ahead of target.
- We have delivered a 30% (c£3.9m) reduction in the administrative burden placed upon our customers through a mixture of consolidation of schemes and through changing the way we work with our customers. We have received positive feedback following a BERR-led review of our compliance with the 'Hampton Principles' on better regulation.
- We achieved a £3m growth in external funding spread across 50 different projects for environmental improvements.
- We have achieved a 19.8% reduction in carbon against our 2007 baseline. This exceeds our interim target for 2008/09 of 10%. We achieved level 2 of the Government's Sustainable Procurement Flexible Framework.

- We signed up to the Health and Safety Executive's sensible risk management principles and revised our Health and Safety Policy. The number of incidents have reduced by 16%.
- We invested in team leader, manager and executive development and introduced a framework of Natural England behaviours.
- Consolidated our Partnership Agreement with the Trade Unions at a national level, demonstrating a 5 times return in benefits for each £1 invested in the relationship.
- Established a network of Diversity Champions and Ambassadors who are playing a significant part in setting the pace for diversity improvements in Natural England. Achieved the 'Two Ticks' Disability symbol at our first attempt – assessors said our application and supporting processes were exemplary and would be a role model for future assessments.

## Looking ahead

- We will increase awareness, understanding and engagement with our work with 80% of national advocacy objectives achieved.
- We will roll out Knowledge Tours to show staff how our policies are being delivered on the ground.
- We will improve accessibility to, and consistency in, our approach and use of evidence and knowledge.
- We will focus leadership activity on continuing to build the performance of their teams and fully utilising our Development Framework.
- We will introduce work experience schemes targeting under-represented groups within our existing workforce, and develop, monitor and improve our Health and Safety practices.
- We will maximise the funding for the natural environment through external funding opportunities and make efficiency savings, reinvesting efficiencies into the delivery.
- We will have a robust and effective emergency response capability.
- We will adopt good environmental management and sustainable practices in all of our activities; and achieve a 40% overall reduction in combined travel carbon footprint and from our estate (including National Nature Reserves).
- We will increase customer satisfaction by 3% and meet our published customer service standards in at least 95% of cases.

## Progress on our three-year journey

### 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.

Targets	Status	Progress
<b>Landscape and geodiversity</b>  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.	G	<p>We have made progress with all planned policies – consulted on Future Landscapes, drafted a Protected Landscapes policy, advanced the Soil policy to the Board Outcome Group and identified Geodiversity policy needs. We have established Regional Landscape and Geodiversity Partnerships in all regions and completed 16 regionally led European Landscape Convention (ELC) projects. We produced the first Natural England ELC action plan and completed ELC guidelines for others.</p> <p>We have completed year 1 of the Peat Project, finalised the specification for Condition and Quality of England's Landscapes, started to implement the Geodiversity Evidence Review Action Plan, advanced the Landscape Evidence Review and completed reports on integrating landscape and geodiversity and on rewilding.</p>
<b>Protected landscapes</b>  Protected landscapes and areas of importance for geodiversity are clearly delivering a range of environmental and socio-economic outcomes.	AG	<p>The high level national agreement with AONB's is at final draft and due for sign off in May. We have sent 'Letters of intent' for new 3-year agreements to all 36 AONBs. Secretary of State confirmation of South Downs National Park now allows us to progress consultation on designating Lakes-Dales gap. We have digitised 70% of Local Geological Site boundaries (against a target of 75%) and captured 70% of the related data.</p>

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

Targets	Status	Progress
<b>Biodiversity</b>  Increase habitat and species resilience to climate change through landscape-scale action, increasing the proportion of priority habitats in beneficial management and priority species meeting recovery plan objectives while continuing to contribute to the stabilisation of the farmland bird index.	G	<p>During the year we launched the England Biodiversity Delivery Framework. We are now establishing Biodiversity Integration groups. We met our target of 65% of BAP habitat under favourable management taking the total area to 53,434 ha. We exceeded our target on priority species with 72% of those for which we have the lead on-track to meet recovery plan objectives.</p> <p>We exceed our target on farmland bird options. An additional 2,296 ha in quarter 4 took our total to 5,057 ha (12% above baseline). 'Wetland Vision' funded 140 ha of peatland restoration and land purchased has enabled 300 ha of new wetland creation.</p>

Key		
G	Green	On target
AC	Amber Green	Caution leaning towards on target
AR	Amber Red	Caution leaning towards below target
R	Red	Below target

<b>SSSI</b>  95% of SSSI area in favourable or recovering condition by Dec 2010 and their health and resilience monitored and maintained thereafter.	<b>G</b>	We achieved 88.4% of SSSI in target condition exceeding our renegotiated target of 88.2%. We fell just short of our 92% target (or 1,220 ha) of NNR land in target condition achieving 90.4%. We met 100% of SSSIs with Conservation objectives delivering 3,500 conservation objectives and 2,500 condition assessments in the final quarter. We have also delivered against the recommendations set for us by the NAO following their VFM audit of the programme.
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Our marine environment is better understood, valued and protected.

Targets	Status	Progress
<b>Marine Protected Areas</b>  A draft plan for all English Marine Protected Areas (MPAs) by 2011, incorporating Special Areas of Conservation (SACs) and Special Protection Areas (SPAs) to provide a coherent network of sites with clear agreed objectives and a monitoring strategy and programme in place to provide evidence-based advice to competent authorities.	<b>AR</b>	We have met all our marine targets except the submission of Departmental Briefs to Defra for two new Special Protection Areas (SPA). These have in principle agreement but the need for further work has been identified. As a consequence, we are unable to begin informal consultations with stakeholders on either the new SPAs or the new Special Areas of Conservation (SAC). We have made good progress on securing an effective Marine Bill, developing four regional Marine Conservation Zone projects and the necessary guidance to support their work, promoting favourable condition for existing marine SACs and SPAs, and raising public awareness of undersea landscapes.
<b>Marine biodiversity</b>  Contribute to halting the decline in marine biodiversity by 2010, through leadership of the marine BAP work stream of the England Biodiversity Strategy.	<b>G</b>	We have met the overall target establishing a Marine BAP workstream and preparing an action plan to guide its work. We have initiated a series of marine BAP projects, some through our Countdown 2010 programme. We have agreed with Defra an overall measure of the health of the marine environment based on the length of fish (trophic index).

## Progress on our three-year journey

### 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.

Targets	Status	Progress
<b>Understanding and appreciation</b>  By 2010, increase levels of understanding and appreciation of the natural environment and how it contributes to people's quality of life, including their health and wellbeing, by 30% in target audiences.	G	<p>We increased the numbers of health walks by 15% (28% above baseline) and increased participation in health walks by 20% Target (37% above baseline). Negotiations for expansion of healthy walking with the DoH are close to completion with level of funding agreed at £7.7m over three years. The initial evaluation supports the independent monitoring findings that Walking for Health engages sedentary people from hard to reach areas, and enables/motivates them to walk. We will launch the Natural Health Service with a manifesto in 2009 highlighting the importance of access to Green Space for health and well being.</p> <p>We completed a national survey on changing patterns of use of natural places amongst children and adults. All five of our regional school pilot projects are running to schedule and on budget. We completed a base-line survey of children's involvement with nature at three sites and 20 schools have signed up to the programme. First activities have commenced but this has not yet led to a measurable increase in the level of awareness.</p> <p>We have completed stage one of the Big Wildlife Garden (formerly Virtual National Nature Reserve) website and opened it for user testing. We have tested and evaluated Ecoteering and commenced Licensing discussions with third parties.</p>
<b>Access to Nature</b>  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.	G	<p>Delivery of the programme is on target. We awarded £7.038m to 23 projects against a target of £7m awarded to 60 projects. We awarded 2 Flagship grants to the Woodland Trust and LEAF with a total value of £2.17m. We awarded £932,314 to the Campaign for National Parks to continue delivering 'Mosaic' – a project to build ethnic minority capacity for engagement with National Parks in 20 cities. We are working towards a geographical spread of grants across the country and have to date awarded at least one grant in each region. The profile of Access to Nature and Natural England is increasing as grants are being awarded.</p>

Key			
G	Green	On target	
AG	Amber Green	Caution leaning towards on target	
AR	Amber Red	Caution leaning towards below target	
R	Red	Below target	

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

Targets	Status	Progress
<b>People actively engaged</b>  Increase the number and diversity of people actively engaged to conserve and enhance the natural environment by 10% by 2011.	<b>G</b>	We achieved a 6.4% increase in the number of Natural England volunteers, exceeding our target for the year of 2%. We advised Defra on the design and delivery of their 'Muck in 4 life' volunteering campaign. We secured £100k from Defra to devise and deliver a capacity building training programme for the sector. Defra have adopted our 10% increase in volunteers target for their campaign. We established five regional volunteering partnerships to test ways of increasing the number and diversity of volunteers and established a corporate volunteering partnership with Norwich Union. We have agreed, with members of the national Environmental Volunteering Group, to collect data from across the sector in England, to establish a clearer picture of volunteering activity.

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

Targets	Status	Progress
<b>Access infrastructure</b>  By 2011 each region will develop a strategic understanding of its access infrastructure and champion strategies for quality access to quality environments.	<b>G</b>	<p>Our evidence to the two pre-legislative scrutiny committees was fully reflected in a recently published paper outlining contents of 'section 3A Order' (giving effect to the new rights). We consulted with over 100 stakeholders on the scope and nature of the final draft of the coastal access scheme and we completed Access audits with all 53 Coastal Access authorities.</p> <p>We delivered all draft Regional Maps with consistent data-sets and developed final guidance on the use of maps. We consulted on a policy review of routes and trails and have drafted recommendations.</p>
<b>Champion NNRs</b>  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 NNR estate is fully integrated into the access network.	<b>G</b>	<p>We have completed the selection of 25 'Destination' NNRs (those offering the greatest potential for high visitor numbers) and assessed current levels of provision against a visitor service standards framework on all but two, with outline plans developed to address these gaps over the next two years.</p> <p>We have completed work to develop investment options on four candidates for Champion NNR status including initial engagement with potential funding partners.</p>

## Progress on our three-year journey

### 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.

Targets	Status	Progress
<b>Regional and local spatial frameworks</b>  Regional and local spatial frameworks are in place which recognise and value the natural environment and underpin land use decisions.	G	This year we completed 3 regional pilots, 11 green infrastructure spatial strategies, 17 implementation projects and engaged all 9 regions around Sub National Review. We jointly organised the ParkCity Green Infrastructure Conference with CABE, and our Green Infrastructure Guidance and case studies consolidated our reputation with stakeholders and raised our public profile on this issue. We have a clear strategy for multi-level governance and the spatial targeting contract produced a comprehensive database of resources in use to enable spatial targeting of our work by outcome.
<b>Land use planning</b>  The planning system and major land-use planning funding streams deliver measurable environmental benefits, in line with Natural England's advice on environmental priorities.	AG	We responded to 92% of casework within the agreed deadline and five projects have piloted approaches and linked past effectiveness to the development of future tools and methods of engagement. The findings of these reports will be incorporated into a national approach to be undertaken in 2009/10 to help ensure we meet the set target for responding to 95% of casework on time.

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

Targets	Status	Progress
<b>Agri-environment development</b>  Secure the specific management of land required to deliver priority outcomes through the mix of levers identified in local tactical plans.	G	We launched a new approach to targeting HLS agreements that will allow us to be more proactive, and allow farmers to develop more effective environmental land management. HLS targeting maps and information on where agri-environment funds are spent are now available through our improved Nature on the Map website. Agri-environment schemes now underpin 54% of SSSI condition improvements. Defra and Natural England announced the design for Uplands ELS to a positive industry reception in December 2008, and it is now in IT development for launch in early 2010.

Key		
G	Green	On target
AG	Amber Green	Caution leaning towards on target
AR	Amber Red	Caution leaning towards below target
R	Red	Below target

## Agri-environment delivery

Secure good environmental land management across the landscape to maintain and strengthen ecological resilience and landscape character using the mix of levers identified in local tactical plans.

**G**

We achieved 65.1% [against a target of 65%] UAA coverage and are on track for 70% at the end March 2011. We spent £155.3m of UK RDPE funds against a 2008/09 target of £155m, which represents a total spend of £353m including EU match funding. The programme to implement changes recommended by the ES Review of Progress is underway, with the first tranche of new land management options released in April 2009. We also developed an approach to restore the benefits of Set-aside: XC1. This approach and an agriculture industry voluntary alternative are part of a public consultation due to conclude in July 2009.

We delivered 16,608 land management advice contacts, 25% over our target. We successfully committed the £5m Catchment Sensitive Farming capital budget. We exceeded targets for contracted advice - 2,346 one-to-one advice visits (target 2,000) and 375 group advice events (target 300). We successfully delivered the first phase of the NVZ advice programme to 7,550 attendees at events against a target of 6,000. 75% rated advice 'good' or better.

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

Targets	Status	Progress
<b>Sustainable use of the sea</b>  Ensure human use of the sea is more environmentally sustainable by engaging with industries to establish standards to protect the marine environment and by influencing cross-sectoral policy and marine spatial planning across the wider marine environment.	<b>AG</b>	We made significant progress on developing the Marine spatial Planning programme with two active projects in Dorset and the Solent, and an EU funded 'Interreg' project for the North Sea. We have established working relationships with the renewables sector both nationally and regionally. Through the link with MPA/MCZ projects we are bringing a range of different business sectors together to get win/win options for marine development.
<b>Marine statutory casework</b>  Influence the emerging marine licensing framework and provide a consistent approach to regional casework across the wider marine environment.	<b>AG</b>	We have made progress with input into Marine Site Management Schemes, estuary, inter-tidal and port casework, and offshore aggregate dredging licence renewals. The nature of the work means a small number of large and complex cases can disproportionately affect our performance against our target.

## Progress on our three-year journey

### A secure environmental future

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

Targets	Status	Progress
<b>Integrated vision for the natural environment</b>  By 2011 produce a clear integrated vision for the natural environment and a land use strategy to secure our vision.	G	We have started conversations with stakeholders and staff to prompt thinking about the long term future of the natural environment to help us create a vision for the natural environment in 2060 and how it will contribute to the needs of society. In this year we have invested considerable amounts of time planning, testing and refining our approach to creating the vision. That included a highly successful engagement programme around the uplands vision and as a result the product has the support of upland stakeholders. We have now established our approach and the initial land use strategy provides the underlying evidence.

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

Targets	Status	Progress
<b>Long-term challenges for the natural environment</b>  Establish and communicate a compelling and robust perspective on the long-term challenges for England's natural environment.	G	We have a set of four scenarios built on evidence gathered about global drivers and then refined and tested by staff, stakeholders the public. Natural England's Scientific Advisory Committee (NESAC) have endorsed the Scenarios and they offer a compelling picture of what England's natural environment could look like in 2060. On Horizon scanning, we held a successful 'Futures Exchange' with outputs received being used to inform the Futures Synthesis Report.
<b>Responses to changing needs of the environment</b>  Inform better responses to the changing needs of the natural environment.	G	The Land Use Policy Group worked to launch a vision for the future of CAP. We have also made good progress in the work with Defra and partners in developing solutions for set-aside mitigation. To inform future engagement and advocacy, we have started work on a report on the 'Value of a Healthy Natural Environment' which will be produced in 2009/2010. We have supported Defra in the identification of potential 'Green Jobs' initiatives. This work is centred on the concept of ecosystem services. We have taken this policy to the Board and in 2009/2010 we intend to move beyond concepts into practical demonstration.

Key		
G	Green	On target
AG	Amber Green	Caution leaning towards on target
AR	Amber Red	Caution leaning towards below target
R	Red	Below target

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

Targets	Status	Progress
<b>Climate change adaptation</b>  The UK legislative and policy framework will ensure that the natural environment is central to climate change adaptation and will provide a clear approach across all sectors.	AG	Our adaptation policy has progressed at both the UK and EU level. We chair the adaptation sub-group of ENCA and hosted a high-profile MEP reception on the EU White Paper in Brussels. Defra's Adapting to Climate Change team have taken account of our key advocacy message on the critical role a resilient natural environment plays in delivering sustainable adaptation. We are also advocating that Government should undertake a strategic assessment of the energy policy instruments that can deliver a sustainable low carbon energy mix, while minimising environmental impacts. We are finalising a methodology that will set out how environmental impacts should be considered alongside the potential for renewable energy generation. A key data source will be our wind opportunities guidance, which is due for consultation this summer.
<b>Climate change mitigation</b>  We will have established a robust evidence base underpinning a compelling vision of future landscapes adapting to climate change and contributing to climate change mitigation.	G	We have made good progress on the three core strands of this target in the last quarter of 2008/09. Working with Defra and other external partners, we have developed a long list of potential indicators of climate change adaptation. Our draft methodology for identifying areas vulnerable to climate change is now ready for peer-review and we have now secured additional funding from Defra for additional monitoring of greenhouse gas emissions from peat.
<b>Tools for raising awareness of climate change adaptation and mitigation</b>  There will be a suite of tools raising awareness of the climate change adaptation and delivering climate change adaptation and mitigation through the use and management of land.	G	At the end of March we published our four Climate Change Character Area reports covering different landscapes (Cumbria High Fells, Dorset Downs and Cranborne Chase; Shropshire Hills; and the Norfolk Broads) which present ground-breaking research into the impacts of climate change on the natural environment at a local level and the possible adaptation responses. We achieved good coverage of the launch across a range of national and regional channels and addressed several misconceptions. Next year, this project will cover all regions, taking in new Character Areas and pilots at a regional scale.

## Progress on our three-year journey

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

Creating environmental leadership

Targets	Status	Progress
<b>Authoritative champion</b>  Natural England is an authoritative champion for the natural environment.	G	The Public element of the Reputation tracker research shows prompted awareness has risen from 21% to 29% (the highest increase among our comparator organisations) which is above the 25% target set for the year. Familiarity has risen from 61% to 66%. Favourability remains at 89% (a positive result as favourability tends to decline with a rise in familiarity amongst government agencies). Coverage of Natural England across all media increased by 73% for the full year.
<b>Strong stakeholder relationships</b>  Natural England develops strong relationships with stakeholders, for the benefit of the natural environment.	G	We exceeded our targets achieving 89% (42 of 47) of our advocacy objectives and agreed joint goals with 22 stakeholders (two more than planned). The stakeholder survey conducted in autumn 2008 demonstrated that 91% of stakeholders are familiar with Natural England, 64% are favourable towards us, 76% trust what we say, 72% say we have clear aims and objectives, 49% say we have a major influence on national government policy, 80% think we have a good understanding of their role and 85% rate our staff's passion and commitment and attitude to stakeholders as good.
<b>Advocating natural environment</b>  Our people understand Natural England's purpose and policy and are passionate in advocating on behalf of the natural environment.	G	Target met. We delivered a creative policy postcard campaign, regional policy briefings and a host of internal news and team briefing content to highlight the policy context of messages. This has resulted in an improvement in staff confidence advocating policy from 32% to 70% and an increase in confidence advocating purpose from 60% to 72%, just short of our 75% target.
<b>Stakeholders trust our evidence and knowledge</b>  Our stakeholders trust the evidence and knowledge which we maintain and develop.	G	By the third quarter we had exceeded our target for the percentage of stakeholders believing we take evidence-based decisions (71% against 60%). We developed a scientifically robust position on badgers and Bovine TB with Defra and advocated renewables policy with DECC and renewable energy industry, establishing the organisation as a progressive, enabling force with evidence-based approach.  Use of our evidence website pages has met target with a high level external interest (Nature on the Map 745 average daily sessions; Web map 217 average daily sessions; 31,546 unique users of the technical publications on-line catalogue; 83,507 unique MAGIC users of our interactive map-based environmental scheme and designation in the last quarter.  All Regional State of the Natural Environment reports have been approved for publication and launch events are presently taking place.

Key		
G	Green	On target
AG	Amber Green	Caution leaning towards on target
AR	Amber Red	Caution leaning towards below target
R	Red	Below target

## Delivering our business

Targets	Status	Progress
<b>Business process</b>  Our systems will support the efficient and effective delivery of services.	<b>G</b>	<p>We achieved the transfer of operational control of Genesis following a rigorous process agreed by the Executive Board and reviewed by the Audit and Risk Committee.</p> <p>The first results of a partnership index, to gauge our relationship with key suppliers, was produced in quarter 4. IBM Desk top services performed well with over 30% increase in customer satisfaction levels which are now over 80% and delivery systems have all been stable throughout the period and met agreed SLAs. New releases of Genesis in February significantly eased the burden of processing on Teams. Confidence in SSD to deliver its strategic vision for service development, however, continued to be low and efforts have continued to consider options to secure a better and more cost-efficient service.</p> <p>We have an agreed strategy in place to embed the Health &amp; Safety Executive sensible risk agenda into Natural England. We have reviewed and modernised the Health &amp; Safety Policy supported by a detailed working plan, including, high priority training in Risk Assessment (over 275 staff attended). There were five RIDDOR reportable incidents for the year – a 16% reduction in incidents from 2007/2008.</p>
<b>Resources and efficiency</b>  We will deliver the required level of efficiency savings and maintain rigorous budgetary discipline across the organisation thereby maximising resources for the natural environment.	<b>G</b>	<p>We have delivered our RDPE budget of £355m and our Grant-in-aid budget of £220m. We had a tight flat cash financial settlement for 2008/9, having no addition for inflation and pay awards and, on top of this, having to deliver £5m in cash efficiency savings. We have exceeded our cash efficiency target by 14% in 2008/9 delivering £5.7m of cash efficiencies in procurement, estates and IT rationalisation and corporate services review. To operate within this flat cash settlement, we had to rebalance staff and programme expenditure to minimise the impact on our front line delivery. We made a reduction of 156 staff through voluntary redundancy which achieved a £4m saving in 08/09. We protected activity spend by maintaining funding at 2008/09 levels for AONBs; biodiversity priorities and the National Trails – to a total of £18m. We also identified an extra £4m activity spend: £2m for biodiversity; £1m for marine; £500k for the European Landscape Convention local projects; £300k for evidence-gathering on the proposed Severn Barrage and £300k for training to invest in our people's delivery.</p> <p>We have reorganised the way in which we process Environmental Stewardship payments and have increased the efficiency of this process. We are processing significantly more schemes with the same resources and can demonstrate productivity gains in 2008/09 in excess of £7m. 96% of Classic scheme payments (£98m) were paid by November – ten weeks ahead of target.</p> <p>We have delivered an additional £3.1m of external funding growth for the natural environment ahead of the £2m target.</p>

<b>Sustainability</b>	<b>G</b>	We have achieved a 19.8% reduction in CO <sub>2</sub> against our 2007 baseline. This exceeds our interim target for 2008/09 (10%) and is chiefly due to the estates rationalisation programme. Teams now have travel emission baselines and targets to achieve a 20% reduction in our travel emissions for 2009/10. All offices have Sustainability Management Plans and we are taking the lead on the Defra estate in this. During the year we achieved Level 2 of the Sustainable Procurement Flexible Framework.
<b>Customer services</b>	<b>G</b>	<p>By the end of March 2009, we had delivered a 30.6% (c £3.9m) reduction in the administrative burden placed upon our customers through a mixture of consolidation of schemes and through changing the way we work with our customers. We have received positive feedback following a BERR led review of our compliance with the 'Hampton Principles' on better regulation.</p> <p>We dealt with 88 % of Freedom of Information and EIR requests within 20 working days and a responded to a further 8.8% within agreed extended deadlines (40 working days). We responded to 100% of the 18,977 queries received by General Enquiries, 99% of 5,139 access enquiries, 87% of 10,582 Wildlife enquiries and 58% of 604 CEO/Chair enquiries within ten working days.</p> <p>We have standardised our approach to prioritisation of customers based on each Tactical Plan and workshops with representatives of front line teams led to a framework for Customer Account Management ways of working in Natural England.</p> <p>The 'mystery caller' review found that 88% of calls made were successful in getting through on the first attempt and 90% were answered within 6 rings. The ability of the advisors to answer questions or deal with the enquiry was rated as good to excellent for 84% of calls. A Farmers Feedback exercise found 75% of the comments to be favourable. It showed Natural England Advisers to be courteous (99%); competent (91%); and responsive (84%). We will develop an action plan in response to the areas of customer concern.</p>

## Building capability

Targets	Status	Progress
<b>People leadership</b>  Natural England has distinctive and effective leadership based on excellent people leadership and corporate governance.	G	Over the year we have run twelve team leader workshops and established the team leader role and expectations. We have completed a series of six Manager workshops and the Executive Leadership Group development programme continues. As a result 66% of people now feel their Team is well managed against a target of 65%, a 14% increase in the year and the combined positive response rate for the questions 'My Executive Board Member listens' and 'My Director/Head of listens' was 35%, equalling our combined end of year target.
<b>Strengthening capability</b>  Natural England will adapt and change to continually strengthen its capability to deliver.	G	We have put in place a Workforce Strategy and developed People Plans for all teams. We have put in place successors for business critical roles, established a baseline for development moves, and a network of diversity champions and ambassadors. We have made good progress and have established the platform for a distinctive approach to ensure the organisation has the capability to continue to be successful.
<b>Organisational contract</b>  Natural England will use the strategic shifts to underpin all our investments in people, engagement activities and ways of working.	G	44% of people feel a strong sense of belonging (up 22% in year) to the organisation and perhaps of equal importance the number who offered a negative response is perhaps as low as could be expected even in well established organisations.  The pulse survey results demonstrate that the first phase of transformation has been successful. Our most important ways of working are properly established and our organisational profile, identity and confidence continue to grow. There remains variability in the results between different teams and it is essential that we continue to embed new approaches and continue to support people through continuing change.
<b>Developing skills</b>  Natural England's people have the skills they need to achieve outstanding service delivery now and in the future.	G	54% responded positively to the question "my performance has improved as a result of the skills I have developed over the past year" – exceeding the target set at 40%. The induction events programme received extremely positive feedback and we achieved 83% of new starters attending (target 90%). We are well on the way to establishing the induction event as a valued part of the induction process.

# 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 and 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 Defra.

Natural England is predominantly financed by annual Grant-in-aid from the Department for Environment, Food and Rural Affairs (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 (Defra), 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 Act. 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 second full year of operation following vesting on 1 October 2006 the attention has continued to be focussed on ensuring that we deliver our agreed Corporate Plan targets whilst completing the transition of people, processes and systems to Natural England ways of working. Our major financial objective in 2008/2009 was to deliver to our budget whilst achieving our outcomes – which we have achieved.

Due to the accounting rules the Grant-in-aid due to Natural England for 2008/2009 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 Grant-in-aid until it is required to meet its obligations. The underlying performance for the year to 31 March 2009 was that on net expenditure of £232m we had a small overspend on revenue of £7k (0.003%) and a small underspend on our capital budget of £20k (-0.45%).

We have challenging financial settlements to face in 2009/2010 and in future years. Our planning assumptions are that we will continue to have a flat cash settlement from Defra less a further £5m of cashable efficiencies over the two year period to 2011/2012. This means that we face considerable

further efficiency challenges given inflationary pressures on our budget and increasing challenges to protect and enhance the natural environment. A number of initiatives have been commenced to meet these efficiency targets including further rationalisation of Estates, our Procurement strategy, and the land Management Performance Programme to improve the efficiency of our Rural Development Programme for England (RDPE) delivery. Our priorities over the forthcoming year based on what we have committed to deliver in our Corporate plan 2009-10 and statutory requirements are Biodiversity, SSSI, Marine, Land use Planning and Land Management Schemes.

### Available resources

The principal resource available to Natural England is its people. The investment we make in our people is described in the Employee 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 2012. Natural England invested £4.7m (2007/2008 £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, 93,213 ha of National Nature Reserves.

### Risks and uncertainties

In the Statement on Internal Control (SIC) on pages 49 to 54 there is a full discussion of the risk and control framework that operates in Natural England. Key areas of risk for this financial year 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 implementation of a major Corporate Services Review reducing the numbers of staff and improving processes and procedures to reduce back office costs and increase quality of service; and
- the transfer of operational ownership of the Genesis IT system from Defra to Natural England which took effect on 1 January 2009.

### 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 earlier sections of this Report.

The balance sheet at 31 March 2009 shows net liabilities of £42m. 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 grant-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.

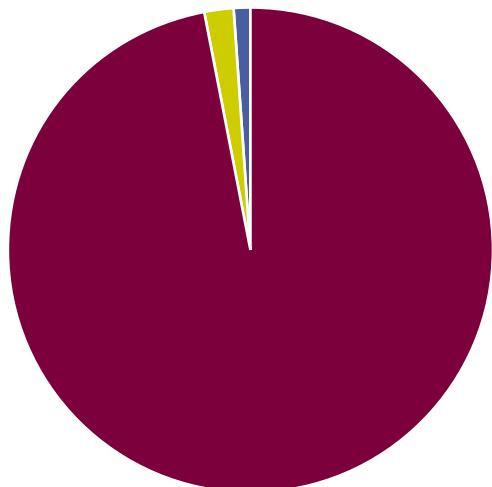
Grant-in-aid for 2009/2010, taking into account the amounts required to meet Natural England's liabilities falling due in that year, has already been included in the Department for Environment, Food and Rural Affairs estimates for that year, which have been approved by Parliament and there is no reason 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 (GIA) from the Department for Environment, Food and Rural Affairs. In 2008/09 Natural England's Grant-in-aid was £265,103,000, which made up 97% of its gross income. The other 3% was made up as shown in the graph below. For a further breakdown of other income see notes to accounts 1 to 5.

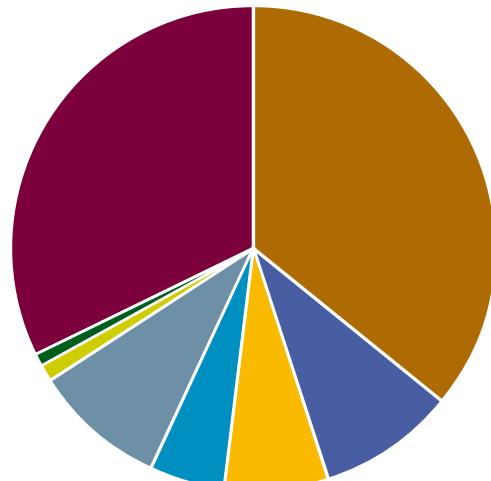
Where the money comes from



Total income = £273,451,000

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

The main areas the money is spent on



Total expenditure = £240,070,000

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.

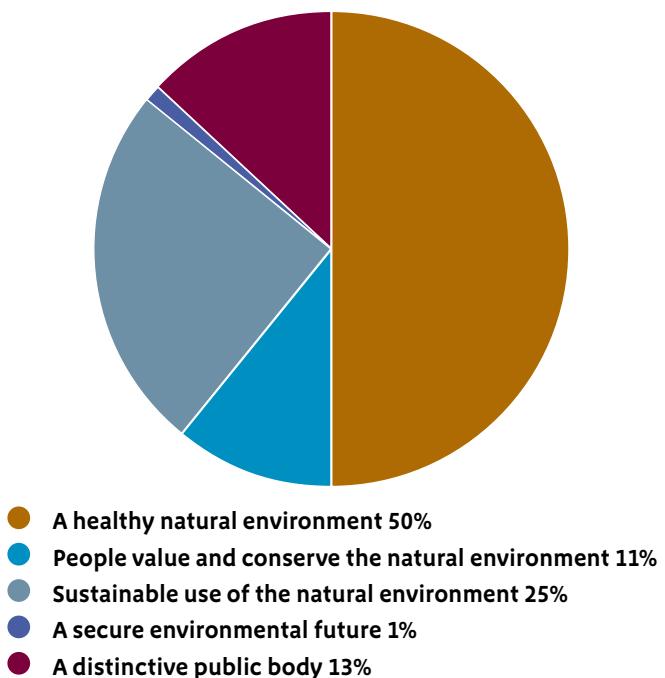
Natural England is also responsible for the management and delivery of the RDPE programme which represented a further £363.2m paid to landowners and farmers for the environmental benefits delivered in 2008/09. This programme spend is accounted for by Defra but if added to the programme spend above would mean that programme expenditure represents 72% of Natural England's operating costs.

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 to accounts 7, 8, 9, 10 and 11.

### c) How the programme funds are spent on our objectives:

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.

**Programme and Grant expenditure via outcomes**



**Total Programme and Grant expenditure = £64,885,000**

The analysis above is the direct expenditure on our objectives and excludes the staff and overhead costs.

### Research and development

Natural England spent £6.5m (£9.4m in 2007/08) on national science and evidence gathering activities under our Biodiversity, Protected Areas and Policy objectives, with £4.1m (£4.9m in 07/08) being invested in research and development. The 2007-08 costs disclosed include costs of £3.4m in relation to geographical data purchase and the countdown grant scheme, which were one off payments. The research and development spend is concentrated in areas where knowledge gaps currently exist such as

the impacts of climate change on the environment and which are essential to deliver the organisation's strategic outcomes. Expenditure on research and development is written off in the year it occurs.

### Payment of creditors

On the 8th October 2008 the Prime Minister committed government organisations to speeding up the payments process, paying suppliers wherever possible within 10 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 2008-2009 98% (88.7% 2007-2008) of Natural England's payments to suppliers met these criteria.

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 the year (2007/2008 £840).

### 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 observes the provisions of the Disability Discrimination Act 1995 and associated Code of Practice.

Natural England has established a firm commitment to Diversity and Equality helping all employees to work together to build an inclusive environment. Dave Webster, 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 [employees who have stepped forward to help embed diversity across our organisation].

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 the recommendations will be used to inform our reward strategy for 2009/2010. We also secured the two ticks disability symbol having received a high commendation from the assessors, along with introducing a disability leave policy to support our disabled employees. During 2008/2009 we have developed a comprehensive Development Programme designed to build the capabilities we need to deliver our four organisational outcomes and develop our profile as a distinctive public body. Our innovative approach allows us to concentrate on the key areas of activity and provide development for our people close to their workplace when they need it.

These activities will continue in 2009/2010 following the introduction of a Workforce Strategy aligned to our three year Corporate Plan and the Development Framework. Our 2008 Staff Survey has shown good improvement in how our people view us as a good employer [rising from 27% in 2007 to 53% in 2008].

Natural England's policy is to ensure all internal communications activity is honest, 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.

Natural England's management and the Trade Unions (PCS, Prospect and FDA) continue to have open, positive and constructive dialogue both through the mechanism of the National Joint Group and through the partnership approach. 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 2008-2009, Natural England employees incurred an average of 5.95 days sick leave (7.63 days 2007-2008). This level remains below the level across the civil service as a whole, which is expected to be 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. 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

As part of its sustainable development strategy the Government encourages both companies and public bodies to disclose their sustainability and environmental performance in their annual reports and accounts. Government are currently in the process of producing some guidelines which are provisionally timetabled to be available for the 2009/2010 Annual Accounts.

2008/2009 is the first year that Natural England has reported on sustainability issues within its Annual Accounts. Natural England has started the process of embedding sustainability within the organisation and our business and financial reporting systems. This will take some time, but we are making positive first steps. 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.

The largest sources of carbon emissions are our buildings and our business travel, so we will focus on carbon footprint reductions in these two areas. This will require significant changes in both our building management and our ways of working and travelling. Our carbon emissions are measured on a calendar year basis against a baseline of 6,676 tons of carbon dioxide (tCO<sub>2</sub>) for 2007. 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. In 2008 we reduced our carbon emissions from estates and business travel by 20%, so currently we are on course to achieve our target by December 2010.

Over the past year Natural England has adopted a new Sustainable Procurement Policy – that integrates social and environmental considerations into its procurement practices – and has also launched a Sustainable Timber Policy and a Sustainable Food and Catering Policy. The organisation remains on course for meeting Level 3 of the Sustainable Procurement Flexible Framework by December 2009 and our suppliers will play an enhanced role in helping us to achieve this. 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 Natural England's teams and offices, the Network is critical to reducing the environmental impact of our operations across our estate. The Network has initially used 2008/2009 as an opportunity to identify the most significant environmental aspects of our office accommodation with a view to addressing these during 2009/2010.

The following information shows our performance in key environmental areas where data is currently available. Sustainability expenditure is defined as the amount that is spent to reduce polluting emissions.

Environment	Type	Measurement	Industry benchmark (SOGE Target) <small>Note a</small>	2008 Jan - Dec	2007 Jan - Dec
Resources – energy consumption	Electricity Gas Oil	kWh	<a href="http://www.defra.gov.uk/sustainable/government/gov/estates/targets.htm">www.defra.gov.uk/ sustainable/government/ gov/estates/targets.htm</a>	4,920,469 5,010,068 210,124	6,592,552 7,332,976 484,626
Emissions to air	CO <sup>2</sup>	tCO <sup>2</sup>	<a href="http://www.defra.gov.uk/sustainable/government/gov/estates/targets.htm">www.defra.gov.uk/ sustainable/government/ gov/estates/targets.htm</a>	5,392 <small>Note b</small>	6,676

#### Notes:

a: Sustainable Operations on the Government Estate (SOGE) targets are the nearest to an industry benchmark within Government. These outcome-focused targets were agreed by central government departments and apply to all central government departments, executive agencies, and to Non-Departmental Public Bodies. The targets set a common agenda for central government on a number of priority areas for action.

b: Our 2008 target was 6,008 which represented a 10% reduction on our 2007 baseline.

Sustainable and Environmental Reporting will be developed further in the next year, and the intention is to include details of measures for water and waste in the 2009/2010 Annual Report.

## 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 2008/2009 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 1.16 of the Accounting Policies and note 7.3.

The late Sir Martin Doughty (Chair) and Poul Christensen (Deputy Chair, currently Acting Chair) are 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 2009 and the present value of the scheme liabilities is included within Natural England's balance sheet. Further details are described in the Remuneration Report and note 7.4.

## 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 2008/2009 (see pages 49 to 54), 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**

Natural England has had no personal data related incidents in the year.

## **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 2009 there were fifteen non-executive members including the Chair.

The composition of the Board for 2008-2009 was as follows:

Sir Martin Doughty	Chair (until his death on 4 March 2009)
Mr Poul Christensen	Deputy Chair (Acting Chair with effect from 22 January 2009)
Mr Peter Allen	
Ms Melinda Appleby	(to 30th September 2008)
Ms Sarah Burton	
Dr Roger Clarke	(to 30th September 2008)
Professor Lynn Crowe	
Mr Merrick Denton-Thompson	(to 30th September 2008)
Professor Michael Depledge	
Ms Catherine Graham-Harrison	(from 1 January 2009)
Mr Tony Hams	
Professor David Hill	
Mr Doug Hulyer	
Professor David Macdonald	
Mr Christopher Pennell	
Dr Helen Phillips	
Ms Pam Warhurst	
Mr Andy Wilson	(from 1 January 2009)

We would like to thank three of our founding Board Members, Melinda Appleby, Roger Clarke and Merrick Denton-Thompson, for their valuable contribution to the development of Natural England. They have now stepped down and we have welcomed two new Board Members, Andy Wilson and Catherine Graham-Harrison, who bring a wealth of experience to Natural England's cause.

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 Poul

Christensen (Catherine Graham-Harrison whilst Poul is acting Chair), David Hill, Pam Warhurst 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 Michael Depledge. 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 and seminars are arranged on topical issues.

## 2. Executive Management Board

The composition of the management board from 1 April 2008 was as follows:

Dr Helen Phillips	Chief Executive
Mr James Marsden	Acting Executive Director Policy and Evidence (1 March 2008 to 30 Sept 2008)
Mr Jim Smyllie	Executive Director Regional Delivery (appointed 1 Oct 2008)
Dr Tom Tew	Chief Scientist
Mr Guy Thompson	Executive Director External Affairs
Mr Robin Tucker	Executive Director National Delivery (appointed 15 Sept 2008)
Mr Dave Webster	Executive Director Corporate Services
Mr Andrew Wood	Executive Director Policy and Evidence
Mr David Young	Executive Director Strategy and Performance (resigned 30 April 2008)

### 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 27th 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 2008/2009 is £173k for the Annual Accounts audit and £7k for work in relation to the preparations for the introduction of International Financial Reporting Standard (IFRS) in 2009/2010 (2007/2008 £198k).

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, however, some initial appointments have been made for a shorter period to facilitate future continuity of the Board.

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 calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 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 takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

## 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; and
  - 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)**

<b>Board Members</b>	<b>Period of appointment</b>	<b>Annual days service</b>	<b>2008/2009</b>		<b>2007/2008</b>	
			<b>Salary, including performance pay £'000s</b>	<b>Benefits in kind (rounded to nearest £100)</b>	<b>Salary, including performance pay £'000s</b>	<b>Benefits in kind (rounded to nearest £100)</b>
<b>Chair</b>						
Martin Doughty	Until his death on 04/03/2009	156	65 – 70 <sup>Note a</sup>	n/a	65 – 70	n/a
Poul Christensen (Acting Chair)	To 30/9/2013	78	40 – 45	n/a	30 – 35	n/a
<b>Members</b>						
Peter Allen	To 30/9/2011	37	10 – 15	n/a	10 – 15	n/a
Melinda Appleby	To 30/9/2008	37	5 – 10 <sup>Note b</sup>	n/a	10 – 15	n/a
Sarah Burton	To 30/9/2009	34	10 – 15	n/a	10 – 15	n/a
Roger Clarke	To 30/9/2008	37	5 – 10 <sup>Note c</sup>	n/a	10 – 15	n/a
Lynn Crowe	To 30/9/2010	41	10 – 15	n/a	10 – 15	n/a
Merrick Denton-Thompson	To 30/9/2008	37	5 – 10 <sup>Note d</sup>	n/a	10 – 15	n/a
Michael Depledge	To 30/9/2009	41	10 – 15	n/a	10 – 15	n/a
Catherine Graham-Harrison	To 31/12/2011	37	0 – 5 <sup>Note e</sup>	n/a	n/a	n/a
Tony Hams	To 30/9/2011	37	10 – 15	n/a	10 – 15	n/a
David Hill	To 30/9/2012	55	15 – 20	n/a	15 – 20	n/a
Doug Hulyer	To 30/9/2010	37	10 – 15	n/a	10 – 15	n/a
David Macdonald	To 30/9/2011	43	10 – 15	n/a	10 – 15	n/a
Christopher Pennell	To 30/9/2010	49	15 – 20	n/a	15 – 20	n/a
Pam Warhurst	To 30/9/2010	43	10 – 15	n/a	10 – 15	n/a
Andy Wilson	To 31/12/2011	34	0 – 5 <sup>Note f</sup>	n/a	n/a	n/a

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

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

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

Note:	Period		Actual Expenditure £'000	Full Year Equivalent £'000
	From	To		
a	1 April 2008	4 March 2009	65 – 70	70 – 75
b	1 April 2008	30 September 2008	5 – 10	10 – 15
c	1 April 2008	30 September 2008	5 – 10	10 – 15
d	1 April 2008	30 September 2008	5 – 10	10 – 15
e	1 January 2009	31 March 2009	0 – 5	10 – 15
f	1 January 2009	31 March 2009	0 – 5	10 – 15

### Remuneration (audited information)

Executive Directors	Appointment dates	2008/2009		2007/2008	
		Salary, including performance pay £'000s	Benefits in kind (rounded to nearest £100)	Salary, including performance pay £'000s	Benefits in kind (rounded to nearest £100)
<b>Chief Executive</b>					
Helen Phillips	27/02/2006	145 – 150	n/a	145 – 150	n/a
<b>Executive Directors</b>					
Adrian Belton Executive Director, Operations	27/02/2006 to 02/03/2008	n/a	n/a	85 – 90 <sup>Note a</sup>	n/a
James Marsden Executive Director, Policy & Evidence (Acting to 30/09/08)	1/03/2008	30 – 35 <sup>Note d</sup>	n/a	5 – 10 <sup>Note b</sup>	n/a
Jim Smyllie Executive Director, Regional Delivery	01/10/2008	40 – 45 <sup>Note e</sup>	n/a	n/a	n/a
Tom Tew Chief Scientist	16/04/2007	85 – 90	n/a	80 – 85 <sup>Note c</sup>	n/a
Guy Thompson Executive Director, External Affairs	19/06/2006	95 – 100	n/a	90 – 95	n/a
Robin Tucker Executive Director, National Delivery	15/09/2008	55 – 60 <sup>Note f</sup>	n/a	n/a	n/a
Dave Webster Executive Director, Corporate Services	04/09/2006	100 – 105	n/a	95 – 100	n/a
Andrew Wood Executive Director, Policy & Evidence	1/04/2007	100 – 105	n/a	100 – 105	n/a
David Young Executive Director, Strategy and Performance	27/02/2006 to 30/04/2008	10 – 15 <sup>Note g</sup>	n/a	90 – 95	n/a

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 below:

Note:	Period		Actual Expenditure £'000	Full Year Equivalent £'000
	From	To		
a	1 April 2007	2 March 2008	85 – 90	90 – 95
b	1 March 2008	31 March 2008	5 – 10	60 – 65
c	16 April 2007	31 March 2008	80 – 85	80 – 85
d	1 April 2008	30 September 2008	30 – 35	65 – 70
e	1 October 2008	31 March 2009	40 – 45	80 – 85
f	15 September 2008	31 March 2009	55 – 60	110 – 115
g	1 April 2008	30 April 2008	10 – 15	90 – 95

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.

The Chief Executive's overall reward package was reviewed as part of a contractual review process in 2008 and was agreed by the Non-Executive Board and approved by the Secretary of State in September 2008. It was agreed that the Chief Executive would move to a permanent contract with the level of performance related pay remaining unchanged from the original terms of appointment in February 2006, of up to 15% of current salary.

The performance related pay of the other Executive Directors was determined by the Chief Executive and is up to a maximum of 15%. Executive Directors that are not in post at the time the performance related pay is paid are not eligible to receive a performance payment. This applied to Adrian Belton and David Young for 2007/2008. The total performance related payments due (including National Insurance) for 2008/2009 are £73,479 (2007-08 £62,000).

## Pension benefits (audited information)

	Total accrued pension at age 60 at 31/03/09 & related lump sum (LS) £'000s	Real increase in pension and related lump sum at age 60 £'000s	CETV at 31st March 2009 £'000s	CETV at 1st April 2008 £'000s	Real increase in CETV £'000s	Employer contribution to partnership pension account (Nearest £100)
<b>Chair</b>						
Martin Doughty Note a	10 – 15 LS 0 – 5	0 – 2.5 LS (2.5) – 0	250	173	16	nil
<b>Deputy Chair</b>						
Poul Christensen	0 – 5 LS 0	0 – 2.5 LS 0	30	11	13	nil
<b>Chief Executive</b>						
Helen Phillips	15 – 20 LS 0	0 – 2.5 LS 0	222	211	17	nil
<b>Executive Directors</b>						
James Marsden	25 – 30 LS 0	2.5 – 5 LS 0	453	419	51	nil
Jim Smyllie	15 – 20 LS 45 – 50	0 – 2.5 LS 0	326	n/a	23	nil
Tom Tew	15 – 20 LS 55 – 60	0 – 2.5 LS 0	284	269	12	nil
Guy Thompson	0 – 5 LS 0	0 – 2.5 LS 0	39	26	11	nil
Robin Tucker	0 – 5 LS 0	0 – 2.5 LS 0	13	n/a	11	nil
Dave Webster	40 – 45 LS 0	2.5 – 5 LS 0	557	503	48	nil
Andrew Wood	5 – 10 LS 0	0 – 2.5 LS 0	131	104	21	nil
David Young	0 – 5 LS 0	0 – 2.5 LS 0	41	42	1	nil

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

The figures may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

Note a: Pension and Cash Equivalent Transfer Values quoted for the Chair are as at 4 March 2009.

Dr Helen Phillips

Accounting Officer and Chief Executive

25 June 2009

# Statement of Board's and Chief Executive's responsibilities

Under Schedule 1, Section 24(2) of the Natural Environment and Rural Communities Act 2006 Natural England is required to prepare a statement of accounts for each financial year in a form and on a basis determined by the Secretary of State, with the approval of the Treasury. The financial statements are prepared on an accruals basis and must give a true and fair view of Natural England's state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the financial statements the Chief Executive and the Board are required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether the 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 a going concern basis unless it is inappropriate to presume that Natural England will continue in operation.

The Accounting Officer for the Department for Environment, Food and Rural Affairs has designated me, the Chief Executive of Natural England, as the Accounting Officer for Natural England. My relevant responsibilities as Accounting Officer, including my responsibility for the propriety and regularity of the public finances for which I am answerable and for the keeping of proper records and for safeguarding Natural England's assets, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by the Treasury and published in *Managing Public Money*.

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.

# 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 whistleblowing procedure designed to comply with the Public Interest Disclosure Act 1998.

As part of the process for agreeing the business plan for 2008/2009, 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. This interaction between Natural England and Defra continued for the purposes of 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 2009 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. 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.

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 a NDPB.

Control is exercised through the Executive Board, the ELG, the Investment Board, Programme and Project Boards. Delivery agreements exist with individual teams that allocate responsibility for meeting the corporate targets in our Corporate Plan. Quarterly reviews are undertaken by Executive Directors to monitor performance, assess progress against targets, highlight risks to delivery and identify corrective action.

Members of staff are informed about risk management through guidance on the preparation of risk registers that are produced and maintained for 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.

### 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 which is regularly reviewed by the Executive Board and the ARC on a quarterly basis and the Board at least annually;
- 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 Executive Directors 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. Dave Webster the Executive Director Corporate Services is Natural England's Senior Information Risk Owner (SIRO) and is responsible for information risk. Information Asset Owners (IAOs) have been appointed to take responsibility for the confidentiality, integrity and availability of key information assets. A quarterly information risk assessment process has been developed and embedded; IAOs participate fully in these by assessing the risks to their information assets; and IT and other security experts contribute by assessing and addressing overarching background information risks.

An Information Security Management System project for Natural England has commenced to meet the ISO 27001 standard and updated information security procedures following the Cabinet Office's Data Handling Review (DHR). We have completed 74% of the measures. All high risk, and most medium risk, measures have been addressed. We expect to have completed implementation of all measures by April 2010. The measures taking longer to implement include delivery of training to all staff and improving technology. We have an online training package ready and commenced encryption of all hard-drives, over 90% of which are now encrypted. During 2009-10 an independent audit of Natural England's performance against the DHR measures will be undertaken. There have been no reportable incidents of personal information data loss during the year.

The results, conclusions and mitigation plans are shared with the SIRO, the Audit and Risk Committee and the Executive Board.

## **Joint Nature Conservation Committee (JNCC)**

JNCC discharges the international and UK nature conservation functions of Natural England, Scottish Natural Heritage, Countryside Council for Wales and the Department of Environment for Northern Ireland. The JNCC, a committee of executive non-departmental public bodies, is itself classified as an executive Non-Departmental Public Body.

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.

## **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 2008-09 the Executive team has been able to achieve a significant amount of progress towards developing Natural England's controls. The performance of Defra Shared Services (SSD) control environment has also improved. The continual improvement of the control environment is a key part of Natural England being a distinctive public body.

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.

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 ARC 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 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 risks and controls on an ongoing basis. In addition, the risk management and corporate governance framework is examined annually by Internal Audit.

Areas that presented significant risks to the system of internal control in 2008/2009 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 implementation of a major Corporate Services Review reducing the numbers of staff and improving processes and procedures to reduce back office costs and increase quality of service; and
- the transfer of operational ownership of the Genesis IT system from Defra to Natural England which took effect on 1 January 2009.

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

There have been no reportable incidents of personal information data loss during the year.

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.

In 2008/2009 the following significant control issues were identified:

Description of control event	Management action
<b>Business continuity planning, awareness and testing</b>	
Whilst this area has seen some improvement and all regional teams have plans in place, a number of them recognise that they need updating. As a consequence partly of estate changes and changes to infrastructure not all plans have been tested.	Natural England has already responded effectively to two Foot and Mouth incidents, numerous marine emergencies, avian influenza and floods impacting on some of our estate. 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 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.
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.	A significant threat to our business and reputation arises if we do not have robust Business Continuity Plans (BCP) which have been adequately tested. Natural England delivers its objectives through fully empowered and accountable teams, and these key delivery teams are responsible for planning and testing their BCPs. Natural England has a corporate 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. All plans are timetabled for testing over the coming year.
All major IT systems and the IT infrastructure controlled by Defra are not subject to disaster recovery contracts with the respective suppliers, because the cost of such contracts outweighs the benefits.	Although a lessons learned exercise was conducted in 2007-2008 following the Oracle outages there have been further instances in 2008-2009.
	Concerns have been highlighted to Defra that decisions have been made without regard to the impact on Natural England, for example, the Defra Renew upgrade which resulted in our invoice payment system being unavailable for approximately seven weeks, during which time manual workarounds had to be utilised.
	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.
	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.

### **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.	We have discussed the detailed plans and the progress made to date with SSD management on each of the areas of weakness identified and are satisfied that improvements in the systems of internal control are being addressed in these key areas.
We were provided in 2007/08 with an opinion from Defra's Head of Internal Audit. She identified three areas of control weakness in SSD: Segregation of duties; access controls; and system auditing. Her conclusion was that the weaknesses outlined above could lead to inappropriate actions by unauthorised persons, and that overall the control environment is weak in SSD. A further audit of Oracle and the related processes and controls for the period April to December 2008 gave a "limited" level of assurance, the main concerns continued to be access controls. However, no evidence of fraud was found in any of these areas tested.	Natural England will continue to monitor SSD's performance on a monthly basis for any evidence of breakdown in controls. Wherever possible these will be evidenced by the monthly Key Performance Indicators we monitor. We will obtain copies of all Internal Audit reports and ensure that management action plans are in place to improve the control environment in SSD.
	We are reviewing the manual controls that operate outside the systems operated by SSD to ensure that these are appropriate given the levels of assurance received by SSD.
	Natural England discuss SSD's performance with Defra senior management on a regular basis and are playing an active role in improving SSD's performance and in the current project to bring in a new external partner to manage these services in the future.
Additionally, we are aware of one significant control weakness, that for the first four months of 2008/2009 some control account reconciliations have not been completed by SSD. Following direct intervention by Natural England these have subsequently been completed to time and quality.	Following direct intervention by Natural England these have subsequently been completed to time and quality. We have examined the subsequent control accounts and do not believe this has 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-enabling 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 is being 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

25 June 2009

# 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 2009 under Schedule 1, Section 24(4) of the Natural Environment and Rural Communities Act 2006. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet and the Cash Flow Statements 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

The Board and the Chief Executive as Accounting Officer are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Natural Environment and Rural Communities Act 2006 and Secretary of State directions made thereunder, and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Board's and Chief Executive's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Natural Environment and Rural Communities Act 2006 and Secretary of State directions made thereunder. I report to you whether, in my opinion, the information which comprises the Management Report, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by

Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if Natural England has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects Natural England's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Natural England's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Foreword, the sections included under the heading "Our achievements and how we have delivered against our Strategic Direction", and the unaudited parts of the Remuneration Report. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## Basis of audit opinions

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

appropriate to the Natural England's circumstances, consistently applied and adequately disclosed.

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

## Opinions

In my opinion:

- the financial statements give a true and fair view, the Natural Environment and Rural Communities Act 2006 and Secretary of State directions made thereunder, of the state of Natural England's affairs as at 31 March 2009, and the net operating cost, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Natural Environment and Rural Communities Act 2006 and Secretary of State directions made thereunder; and
- information which comprises the Management Report, included within the Annual Report, is consistent with the financial statements.

## 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.

## Report

I have no observations to make on these financial statements.

**Amyas C E Morse**

Comptroller and Auditor General  
National Audit Office  
151 Buckingham Palace Road  
Victoria  
London  
SW1W 9SS  
1 July 2009

## Operating Cost Statement for the year ended 31 March 2009

	Notes	2008/2009 £'000s	2007/2008 £'000s
<b>Gross income</b>			
Income from activities	3	4,656	3,425
EU grants	4	2,119	1,221
Other operating income	5	1,024	1,219
Shared conservation income	6.1	549	622
Transfer from deferred EU capital grant account	23.2	0	4
		<b>8,348</b>	<b>6,491</b>
<b>Expenditure</b>			
Staff costs	7.1	86,302	93,824
Other operating costs	8	80,347	79,961
Programme expenditure	9	38,461	37,387
Grants	10	26,424	27,485
Shared conservation expenditure	6.2	3,406	3,567
Information and publicity	11	2,928	3,053
Depreciation	12.1, 12.2	1,953	1,738
Impairment of asset values	15	249	121
		<b>240,070</b>	<b>247,136</b>
<b>Net operating cost of activities</b>		<b>(231,722)</b>	<b>(240,645)</b>
Loss on sale of fixed assets		(240)	(14)
Interest received and similar income		19	17
Notional cost of capital	13	1,649	1,394
<b>Net cost of ordinary activities</b>		<b>(230,294)</b>	<b>(239,248)</b>
Add back notional costs	13	(1,644)	(1,388)
<b>Net cost for the financial year</b>		<b>(231,938)</b>	<b>(240,636)</b>

All income and expenditure was derived from continuing operations.

The accounting policies and notes on pages 61 to 89 form part of these financial statements.

## Statement of Recognised Gains and Losses for the year ended 31 March 2009

	Notes	2008/2009 £'000s	2007/2008 £'000s
Actuarial (losses)/gains	7.4	(53)	8
Net gain on revaluation	25	693	740
Net loss on impairment	15	(60)	0
Change in share of JNCC	1.3	1	76
<b>Recognised gains and losses relating to the year</b>		<b>581</b>	<b>824</b>

The accounting policies and notes on pages 61 to 89 form part of these financial statements.

## Balance Sheet as at 31 March 2009

	<b>Notes</b>	<b>31 March 2009</b> £'000s	<b>31 March 2008</b> £'000s
<b>Fixed assets</b>			
Tangible assets	12.2	13,820	12,226
Intangible assets	12.1	1,573	474
		<b>15,393</b>	<b>12,700</b>
<b>Debtors falling due after 1 year</b>	<b>16.1</b>	<b>48</b>	<b>158</b>
<b>Current assets</b>			
Stocks	18	101	84
Debtors falling due within 1 year	16.2	4,007	3,260
Short term investments	19	263	243
Cash at bank and in hand	20	13,419	7,557
		<b>17,790</b>	<b>11,144</b>
<b>Current liabilities</b>			
Amounts falling due within 1 year	21	(66,940)	(89,492)
Deferred EU grant	23.1, 23.2	0	(39)
		<b>(66,940)</b>	<b>(89,531)</b>
<b>Net current liabilities</b>		<b>(49,150)</b>	<b>(78,387)</b>
<b>Total assets less current liabilities</b>		<b>(33,709)</b>	<b>(65,529)</b>
<b>Provisions for liabilities and charges</b>	<b>24</b>	<b>(8,382)</b>	<b>(10,464)</b>
<b>Total assets less all liabilities</b>		<b>(42,091)</b>	<b>(75,993)</b>
<b>Capital and reserves</b>			
Revaluation reserve	25	2,444	2,023
Revenue reserve	26	(44,535)	(78,016)
		<b>(42,091)</b>	<b>(75,993)</b>

The accounting policies and notes on pages 61 to 89 form part of these financial statements.

The balance sheet 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).

Dr Helen Phillips

Accounting Officer and Chief Executive

25 June 2009

## Cash Flow Statement for the year ended 31 March 2009

	Notes	2008/2009 £'000s	As restated 2007/2008 £'000s
<b>Operating activities</b>			
Receipts		9,044	8,254
Payments		(261,638)	(207,768)
<b>Net cash outflow from operating activities</b>	27	<b>(252,594)</b>	<b>(199,514)</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		19	17
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		(4,091)	(2,035)
Payments to acquire intangible fixed assets		(566)	(69)
Proceeds from sales of tangible fixed assets		341	40
		<b>(4,316)</b>	<b>(2,064)</b>
<b>Management of liquid resources</b>			
Payments into short term deposits not qualifying as cash		(22)	(87)
		<b>(22)</b>	<b>(87)</b>
<b>Net cash outflow before financing</b>		<b>(256,913)</b>	<b>(201,648)</b>
<b>Financing</b>			
Government grants received and applied to:			
purchase of fixed assets		4,740	4,731
revenue expenditure		258,035	183,568
Other Government Grants received		0	0
Deferred EU revenue grant received		0	(97)
Interest received on deferred EU grant		0	2
		<b>262,775</b>	<b>188,204</b>
<b>Increase /(Decrease) in cash and cash equivalents</b>	28	<b>5,862</b>	<b>(13,444)</b>

The accounting policies and notes on pages 61 to 89 form part of these financial statements.

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

# Notes to the financial statements

## 1. Statement of accounting policies

### 1.1 Basis of accounting

- i) The Financial Statements follow the reporting guidance set out in the Government Financial Reporting Manual (FReM) 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. Where the FReM permits a choice of accounting policy, the policy that has been judged to be the most appropriate to the particular circumstances of Natural England for the purpose of giving a true and fair view has been selected. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.
- ii) The Financial Statements are intended, without limiting the information given, to meet the requirements of the Companies Act 1985 and 1989 and the Statements of Standard Accounting Practice and Financial Reporting Standards issued and approved by the Accounting Standards Board insofar as these requirements are appropriate.
- iii) The Financial Statements have been prepared under the historical cost convention, modified by the revaluation of fixed assets. Revaluation of tangible and intangible 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 Operating Cost Statement.

### 1.2 Going concern

The balance sheet at 31 March 2009 shows net liabilities of £42 million. 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 Grant-in-aid 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.

Grant-in-aid for 2009/2010, 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 FRS9 "Associates and 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 for 2008/2009 is 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 the Department of Environment for Northern Ireland (DoENI) is 5.45%. In 2007/2008 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 was 37.32%, Defra share was 24.26%, SNH share was 21.96%, CCW share was 10.98% and DoENI was 5.48%. The percentage contribution and overall budget is set by Defra in discussion with the devolved administrations in Scotland and Wales.

## **1.4 Tangible fixed assets and depreciation**

- i) Tangible Fixed Assets are stated at the lower of replacement cost and recoverable amount. 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 Operating Cost Statement.
- ii) Freehold land and buildings, classified as non-operational heritage assets and located on designated conservation areas have been assigned a nil valuation on the balance sheet. Treasury guidance in the form of the FReM does not contain a specific exemption from being valued for National Nature Reserves but Natural England's interpretation has been that this should be the case. Following a response by the Financial Reporting Advisory Board to the Accounting Standards Board discussion paper which gives definition to heritage assets, classifications are given which cover land and buildings that are held by Natural England for the sole purpose of maintaining their conservation value.
- iii) All other freehold land and buildings are revalued every 5 years by professionally qualified valuers, on the basis of value in use. This revaluation was carried out during 2005/2006 by external valuers, Smiths Gore, by their Royal Institute of Chartered Surveyors qualified staff. The valuations were carried out in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual (the Red Book).  
  
In between professional revaluations, values are updated annually where material, using indices from the Property Market Report issued by the Valuation Office.  
  
Two buildings, one in Roughmoor, Taunton and the other Foxhold House in Berkshire have been subsequently valued at current market value as they will be offered for sale during the next financial year.
- iv) All other assets are valued at depreciated historical cost and, where material, values are updated annually using Price Index Numbers for Current Cost Accounting published by the Office for National Statistics.

v) Internally developed fixed assets are recognised as construction in progress (CIP) and treated as capital expenditure, but not depreciated until the project is brought into service. CIP is not revalued.

vi) Depreciation is provided on all tangible fixed assets other than land at rates 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) Breeding stock is treated as a grouped asset (the base herd method) and is not depreciated.

viii) Construction in progress 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 tangible and intangible 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 fixed assets and amortisation**

Amortisation is provided on software licences at rates calculated to write off the cost or valuation of each asset evenly over its expected useful life. The standard write off period is 5 years although alternative lives may be used where relevant information is available to ascribe an expected useful life.

## **1.6 Stock valuation**

- i) Farm stock bred for sale has been valued by the farm manager, based on prevailing market prices. Other farm stock has been valued at cost. Lambs born close to the balance sheet date are not valued as valuations are unreliable until lambs reach maturity.
- ii) For other stocks Natural England uses the lower of estimated replacement 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.

## **1.7 Financial Instruments**

### **Trade Debtors**

Trade debtors 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 operating cost statement when the probability of recovery is assessed as being remote, or it is uneconomic to do so.

### **Trade Creditors**

Trade creditors are not interest bearing and are stated at their nominal value.

### **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.

## **1.8 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.

## **1.9 Value added taxation (VAT)**

Natural England has charitable status for VAT purposes. Natural England receives Grant-in-aid from the Secretary of State and this has been treated as non-business income for the purposes of VAT. VAT input tax relating to non-business activities cannot be reclaimed from HM Customs and Excise. 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.

## **1.10 Grant-in-aid**

Natural England receives Grant-in-aid from the Department for Environment, Food and Rural Affairs. Government grants received to support revenue expenditure are treated as contributions from controlling parties and are credited to the revenue reserve.

Grants for capital expenditure are also credited to the revenue reserve.

### **1.11 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. Grants for capital expenditure are 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.

### **1.12 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 Operating Cost Statement 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.

### **1.13 Treatment of foreign exchange differences**

Transactions that are denominated in a foreign currency are translated into Sterling at the exchange rate on the date of the transaction. Any gains or losses on exchange are taken to the Operating Cost Statement in the year in which they are incurred.

### **1.14 Research and development**

Natural England writes off all expenditure on research and development in the year it occurs.

### **1.15 Notional costs**

In line with HM Treasury guidance in the FReM, Natural England accounts for notional costs of the cost of capital.

The financing structure of Natural England does not include specific interest bearing debt, but to ensure that the Operating Cost Statement bears an appropriate charge for the use of capital in the business in the year, a notional interest charge is included. In accordance with Treasury guidance, the calculation is based on a 3.5 % cost of capital on average net assets.

### **1.16 Pension arrangements**

Natural England operates an Early Retirement Scheme, which gives retirement benefits to certain qualifying employees. These benefits conform to the rules of the Principal Civil Service Pension Scheme (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 operating cost statement 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. See also note 7.1 Staff Costs.

The Chair and Deputy Chair are entitled to a pension scheme but are 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 FRS17 "Retirement Benefits".

## **1.17 Operating leases**

All leases are assessed using the criteria as laid down in SSAP 21. Rental costs arising under operating leases are charged to the Operating Cost Statement in the year in which they are incurred.

## **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 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 FRS12. Future costs have not been discounted unless they are significant.

## **1.20 Contingent liabilities**

Contingent assets and liabilities are disclosed in accordance with FRS 12.

## **1.21 Income recognition**

Natural England recognises income net of VAT.

## **1.22 International Financial Reporting Standard (IFRS)**

In accordance with the 2008 Budget announcement, Natural England is to move from UK Generally Accepted Accounting Practices (GAAP) to International Financial Reporting Standards (IFRS) from 1 April 2009. Work has commenced towards this in 2008/09. The Balance Sheet has been restated as at 31 March 2008 onto an IFRS basis, and this has been audited by the National Audit Office (NAO).

## **2. Change to estimation technique**

With effect from 1 April 2007, the threshold for the capitalisation of expenditure by Natural England on tangible and intangible assets was increased from £2k to £5k. This had the effect of a decrease in fixed assets as at 1st April 2007 of £377k.

### 3. Income from activities

	2008/2009 £'000s	2007/2008 £'000s
Contributions from conservation partners	1,692	1,458
National Lottery Grants	1,436	1,075
Single Farm Payments	687	0
Income from National Nature Reserves	363	302
Big Lottery Fund (restricted income)	325	416
Sales of publications	82	111
Programme income	62	16
Advice and other services	9	47
	<b>4,656</b>	<b>3,425</b>

### 4. EU grants

	2008/2009 £'000s	2007/2008 £'000s
Interreg Funds	1,238	553
Other European Union Receipts	881	668
	<b>2,119</b>	<b>1,221</b>

### 5. Other operating income

	2008/2009 £'000s	2007/2008 £'000s
Miscellaneous receipts including rents and recharges	979	1,190
Foreign exchange gains	45	29
	<b>1,024</b>	<b>1,219</b>

## 6.1 JNCC shared conservation income

	2008/2009 £'000s	2007/2008 £'000s
Income from activities	535	449
European Union funds	14	173
	<b>549</b>	<b>622</b>

Natural England's share of JNCC income has reduced from 37.32% in 2007/2008 to 37.07% in 2008/2009. 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.

## 6.2 JNCC shared conservation expenditure

	2008/2009 £'000s	2007/2008 £'000s
Staff costs	1,764	1,713
Conservation support	1,052	1,246
Other operating costs	527	523
Information and publicity	58	79
Notional costs (see Note 13)	5	6
	<b>3,406</b>	<b>3,567</b>

Natural England's share of JNCC expenditure has reduced from 37.32% in 2007/2008 to 37.07% in 2008/2009. 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.

## 7.1 Staff costs

	2008/2009 £'000s	2007/2008 £'000s
<b>Permanent staff salaries and allowances</b>		
Chair and Acting Chair	79	70
Members	335	333
Staff	67,555	65,047
	<b>67,969</b>	<b>65,450</b>
<b>Superannuation</b>		
Accruing Superannuation Liability Charge Payment	13,490	12,738
Early severance and retirement provision <sup>Note a</sup>	(2,808)	8,571
Partnership pension contributions	63	68
Costs recharged to Defra	0	(974)
Transfer to early retirement provision	0	72
	<b>10,745</b>	<b>20,475</b>
<b>Permanent staff social security</b>		
Chair	8	7
Members	31	31
Staff	5,216	5,113
	<b>5,255</b>	<b>5,151</b>
Agency and temporary staff	2,218	2,637
Inward secondees	359	266
Temporary staff social security	41	78
Other staff costs	58	324
<b>Sub total</b>	<b>86,645</b>	<b>94,381</b>
Less recoveries in respect of outward secondments	343	557
<b>Total net costs</b>	<b>86,302</b>	<b>93,824</b>

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

## 7.2 Staff numbers

	<b>2008/2009</b>	<b>2007/2008</b>
	No.	No.
The average number of whole-time equivalent persons employed during the year was as follows:		
Permanent staff:		
Management	149	168
Operational	1,758	1,690
Administration	344	420
	<b>2,251</b>	<b>2,278</b>
Temporary and contract staff:		
Management	2	1
Operational	46	46
Administration	10	21
	<b>58</b>	<b>68</b>
<b>Total</b>	<b>2,309</b>	<b>2,346</b>

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

## 7.3 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 2008/2009, employers' contributions of £13.5m were payable to the PCSPS (2007/2008 £12.7m) at one of the four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2008/2009, the salary bands were revised but the rates remained the same (the rates will be changing with effect from April 2009). The contribution rates are set to meet the cost of benefits accruing during 2008/2009 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. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement). Employers' contributions of £63k were paid to one or more of the panel of three appointed stakeholder pension providers (2007/2008 £68k).

Contributions due to the partnership pension providers at the balance sheet date were £11k (£14k 2007/2008).

The late Sir Martin Doughty (Chair) and Poul Christensen (Deputy Chair, and current Acting Chair) are included in a separate pension scheme set up by Defra which is described as "by analogy to the main scheme". There were no early retirements on ill-health grounds.

### 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 good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80<sup>th</sup> of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of 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 immediately after the scheme year end, the accrued pension is uprated 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)

## 7.4 Pension scheme by analogy to the Principal Civil Service Pension Scheme

The late Chair of Natural England's Board, Sir Martin Doughty and the Deputy Chair (currently acting Chair), Poul Christensen, are prohibited from joining the PCSPS and are included in a separate 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. The major assumptions used by the actuary were:

	2008/2009	2007/2008
Rate of increase in salary	4.29%	4.30%
Rate of increase in pension payment and deferred pensions	2.75%	2.75%
Rate used to discount scheme liabilities	6.04%	5.30%
Inflation assumption	2.75%	2.75%
	£'000s	£'000s
Present value of scheme liabilities	<b>166</b>	<b>273</b>
	£'000s	£'000s
Analysis of amount charged to operating profit	34	34
Current service cost (net of employee contributions)	10	11
Interest on pension liabilities	<b>44</b>	<b>45</b>
	£'000s	£'000s
Analysis of amount recognised in the Statement of Recognised Gains and Losses	69	7
Experience Losses	(18)	(30)
Effect of changes in discount rate	2	15
Effect of changes in mortality assumption	<b>53</b>	<b>(8)</b>
	£'000s	£'000s
Experience losses as a percentage of the present value of scheme liabilities at the balance sheet date	41.57%	2.60 %
Total actuarial losses as a percentage of the present value of scheme liabilities at the balance sheet date	31.93%	(2.90) %
	£'000s	£'000s
Movement in scheme liabilities during the year	273	224
Scheme liabilities at beginning of the year		
Movement in year:		
Current service cost (net of employee contributions)	34	34
Employee contributions	11	12
Interest cost	10	11
Actuarial loss/(gain)	53	(8)
Benefits paid	(215)	0
<b>Scheme liabilities at end of the year</b>	<b>166</b>	<b>273</b>

## 8. Other operating costs

	2008/2009 £'000s	As restated 2007/2008 £'000s
Genesis system <sup>Note b</sup>	22,375	28,726
IBM E-enabling contract	12,244	13,563
Estates recharges from Defra	11,391	10,863
Staff travel and subsistence costs	5,572	5,541
Shared service recharges	5,001	3,623
Dilapidations and onerous contracts <sup>Note c</sup>	4,115	975
Consultancy	3,519	4,017
IT enhancements	3,367	1,657
Staff support costs	3,202	3,532
Estates management <sup>Note d</sup>	2,861	2,150
Legal fees <sup>Note e</sup>	1,970	1,198
Printing and stationery	1,212	1,181
Subscriptions and agents fees	717	758
Vehicle costs	535	517
NAO audit fee for the year	180	198
Other audit fees	184	178
Other operating costs	1,902	1,284
	<b>80,347</b>	<b>79,961</b>

The above costs include:

Operating lease rentals	667	652
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### Notes

a: The analysis of the 2008/2009 data has been enhanced and therefore the 2007/2008 data has been adjusted to aid comparison.

b: 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 (RPA), which is the delegated paying agency. As a consequence there is around £363.2m (2007/2008 £317m) of gross programme spend administered by Natural England but accounted for by Defra. These funds are administered using the Genesis and AESIS systems.

The Genesis system is owned by Defra who bear the risk and rewards of the asset. With effect from 1 January 2009, Natural England took on operational responsibility, through a licensing arrangement from Defra, of the system and payment of running costs whilst Defra retain ownership of the system and continue to underwrite the costs of the system. Natural England has an operating cost as a reflection of recharges from Defra in respect of depreciation, capital costs and the running costs prior to 1 January 2009.

c: During the year a contribution of £4,115,000 has been made to the dilapidations and onerous contracts provision which 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.

d: Memoranda of Terms of Understanding (MOTU's) with Defra Estates exist in respect of Natural England's Commercial Office Estate with an associated average annual financial commitment of £9.1m for the next three years. The effects of the continuing consolidation and rationalisation of the Natural England Estate via the Estates Transition Programme for the period 2008/2009 – 2010/2011 are projected in this commitment, but are obviously subject to Business Operational Strategy, funding availability and prevailing market conditions.

e: Included in the legal fees expenditure, is the establishment of a new Litigation provision of £875,000. This represents managements estimates for likely legal costs and claims from existing cases against Natural England at 31 March 2009.

## 9. Programme expenditure

	As restated 2008/2009 £'000s	2007/2008 £'000s
SSSI Land Management Agreements		
- Management agreements	4,199	4,881
- Management agreement works	2,636	2,407
- Management agreement works reimbursed to owner/occupiers	1,586	2,122
	<b>8,421</b>	<b>9,410</b>
Biodiversity		
- Species	3,583	1,354
- General	3,098	3,379
	<b>6,681</b>	<b>4,733</b>
Science and Evidence	5,458	4,037
England Catchment Sensitive Farming Delivery Initiative	3,181	4,254
National Nature Reserves	2,974	1,952
Access to environment	2,571	4,260
Non SSSI land management works	1,714	503
Farm advice	1,657	3,583
Contributions to partners	1,375	235
Marine programme	1,178	2,060
Purchase of heritage land and rights and consents on Esthwaite Water	1,103	41
Environmental planning, policy, advice and guidance	899	656
Health campaign	387	547
Other payments	862	1,116
	<b>38,461</b>	<b>37,387</b>

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

## 10. Grants

	2008/2009 £'000s	2007/2008 £'000s
Areas of Outstanding Natural Beauty (AONBs)	9,811	10,047
Catchment Sensitive Farming – capital grants	5,383	4,645
Access and National Trails	4,142	4,186
Aggregates Levy Sustainability Fund (ALSF)	3,726	4,592
Countdown 2010	1,100	1,920
Wetland Vision	1,075	0
Reserve Enhancement Scheme	650	957
Walking the Way to Health	252	328
Access to Nature (Big Lottery Funded)	67	0
Geodiversity	20	0
Growth Areas	0	347
Other grants	198	463
	<b>26,424</b>	<b>27,485</b>

£20.7m (2007/2008 £18.1m) of the above grants were paid to other government bodies and £5.7m (2007/2008 £9.4m) were paid to farmers and the private sector.

Forward commitments on offers made and accepted at or by 31 March 2009 totalled £15.0m (2007/2008 £7.4m) including £3.4m for National Trails (2007/2008 £0.6m), £9.6m for AONBs (2007/2008 £6.8m) and £2.0m for Countdown 2010 Biodiversity Action Fund (2007/2008 £nil).

## 11. Information and publicity

	2008/2009 £'000s	2007/2008 £'000s
Information	1,973	1,834
Shows, events and education	519	875
Publications	115	91
Other	321	253
	<b>2,928</b>	<b>3,053</b>

## 12.1 Intangible fixed assets

	<b>Software licenses</b> £'000s	<b>Work in progress</b> £'000s	<b>Share of JNCC assets</b> £'000s	<b>Total</b> £'000s
<b>Cost or valuation:</b>				
At 1 April 2008	489	0	61	550
Additions	767	516	15	1,298
Disposals	(47)	0	0	(47)
Net Revaluation	(77)	0	3	(74)
<b>At 31 March 2009</b>	<b>1,132</b>	<b>516</b>	<b>79</b>	<b>1,727</b>
<b>Amortisation:</b>				
At 1 April 2008	47	0	29	76
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>113</b>	<b>0</b>	<b>41</b>	<b>154</b>
<b>Written down values:</b>				
<b>at 31 March 2009</b>	<b>1,019</b>	<b>516</b>	<b>38</b>	<b>1,573</b>
at 31 March 2008	442	0	32	474

## 12.2 Tangible fixed assets

	Free-hold land £'000s	Freehold buildings £'000s	Improvements to leasehold £'000s	Plant £'000s	Vehicles £'000s	Other equipment £'000s	Computer equipment £'000s	Breeding stock £'000s	Work in progress £'000s	Share of JNCC assets £'000s	Total £'000s
Gross Cost or valuation:											
At 1 April 2008	1,491	3,500	419	3,852	4,080	3,661	2,896	65	647	333	20,944
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	0	827	28	3,486
Disposals	0	(49)	0	(167)	(356)	(126)	0	0	0	(48)	(1,194)
Transfer from WIP	0	0	0	0	0	201	0	0	0	0	0
Net Revaluation	343	129	(96)	218	580	(279)	0	3	0	19	917
<b>At 31 March 2009</b>	<b>1,834</b>	<b>3,132</b>	<b>1,436</b>	<b>3,978</b>	<b>5,061</b>	<b>4,112</b>	<b>2,959</b>	<b>68</b>	<b>1,273</b>	<b>332</b>	<b>24,185</b>
Depreciation:											
At 1 April 2008	0	162	22	2,492	3,200	2,602	0	0	0	240	8,718
Assets identified not previously recorded	0	0	0	0	0	16	0	0	0	0	16
Charged in year	0	182	66	301	396	299	585	0	0	26	1,855
Disposals	0	(10)	0	(134)	(282)	(119)	0	0	0	(46)	(591)
Net Revaluation	0	(53)	(6)	156	429	(178)	0	0	0	19	367
<b>At 31 March 2009</b>	<b>0</b>	<b>281</b>	<b>82</b>	<b>2,815</b>	<b>3,743</b>	<b>2,620</b>	<b>585</b>	<b>0</b>	<b>0</b>	<b>239</b>	<b>10,365</b>
Written down net values:											
<b>at 31 March 2009</b>	<b>1,834</b>	<b>2,851</b>	<b>1,354</b>	<b>1,163</b>	<b>1,318</b>	<b>1,492</b>	<b>2,374</b>	<b>68</b>	<b>1,273</b>	<b>93</b>	<b>13,820</b>
at 31 March 2008	1,491	3,338	397	1,360	880	1,059	2,896	65	647	93	12,226

As at 31 March 2009 Natural England had commitments under the capital programme of £173k (2007/2008 £180k).

## 12.3 Fixed Assets Non-Operational Heritage assets

As at 31 March 2009 there were 222 National Nature Reserves (NNRs) in England, 130 of these are wholly owned or leased by Natural England or are under Nature Reserve Agreements (NRA). 76 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 a new NNR at Durlston in Dorset, managed by an Approved Body.

The area of Natural England's declared NNRs is as follows:	31 March 2009 Hectares	31 March 2008 Hectares
Land owned by Natural England	19,872	19,872
Land leased by Natural England	29,877	29,877
Land under Nature Reserve Agreements	15,117	15,117
92 NNRs managed wholly/partly by Approved Bodies	28,347	28,237
	<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. This policy will be kept under review for future years.

## 13. Notional costs

	2008/2009 £'000s	2007/2008 £'000s
Cost of capital	1,649	1,394
JNCC shared conservation	(5)	(6)
	<b>1,644</b>	<b>1,388</b>

The calculation of notional costs is based on a 3.5% cost of capital on average net assets. See note 1.15.

## **14. Financial instruments**

FRS 25, 26 and 29 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 FRS, debtors and creditors which mature or become payable within 12 months from the balance sheet 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 in 2008/09. 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 interest rate risk profile of financial assets and liabilities as at 31 March 2009. All balances are shown in £ sterling.

	<b>31 March 2009</b> £'000s	<b>31 March 2008</b> £'000s
Short term investments in relation to Bequest funds	263	243
Project Cash in commercial bank accounts	1,408	609

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

## **15. Impairment**

The total impairment charge for the financial year 2008-2009 was £309,370 (£121,631 2007-2008). £249,014 (£121,394 2007-2008) of this was charged to the Operating Cost Statement and £60,356 (£237 2007-2008) was taken through the Revaluation reserve.

## **16.1 Debtors due after one year**

	<b>2008/2009</b> £'000s	<b>2007/2008</b> £'000s
Housing loans to staff	29	53
Accrued income	19	105
	<b>48</b>	<b>158</b>

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 2009, loans over £2,500 outstanding to staff both due within one year and after one year amounted to £33,758 (£43,833 at 31 March 2008). The numbers of staff in receipt of loans over £2,500 outstanding at 31 March 2009 were:

	No of staff
£2,500 to £5,000	4
£5,001 to £10,000	3

No Executive Director had a loan.

## 16.2 Debtors falling due within 1 year

	2008/2009 £'000s	As restated 2007/2008 £'000s
Trade debtors	1,730	438
Other debtors	1,862	2,068
Accrued income	242	37
Prepayments	62	364
JNCC shared conservation	111	353
	<b>4,007</b>	<b>3,260</b>

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

## 17. Whole of Government Accounting – Debtors

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 2009 were;

Intra-Government Balances	2008/2009		2007/2008	
	Debtors: amounts falling due within one year £'000s	Debtors: amounts falling due after more than one year £'000s	Debtors: amounts falling due within one year £'000s	Debtors: amounts falling due after more than one year £'000s
Balances with other central government bodies	1,402	0	923	0
Balances with local authorities	35	0	8	0
Balances with NHS Trusts	72	0	37	0
Balances with public corporations	0	0	0	0
Balances with bodies external to government	2,498	48	2,292	158
<b>Total at 31 March 2009</b>	<b>4,007</b>	<b>48</b>	<b>3,260</b>	<b>158</b>

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

## 18. Stocks

	2008/2009 £'000s	2007/2008 £'000s
Farm stocks	81	62
JNCC publications	20	22
<b>101</b>		<b>84</b>

## 19. Short-term investments

	2008/2009 £'000s	2007/2008 £'000s
Balance as at 1 April	243	156
Bequests received	14	81
Interest received	6	6
<b>Balance as at 31 March</b>	<b>263</b>	<b>243</b>

Short-term investments relate to bequest funds held in a business premium account with Barclays bank.

## 20. Cash at bank and in hand

	2008/2009 £'000s	2007/2008 £'000s
Balances held in Paymaster General Accounts	11,775	6,846
Balances held in commercial Accounts	1,408	609
JNCC balances	236	102
<b>13,419</b>		<b>7,557</b>

Natural England holds all surplus funds in a Paymaster General Office account. This account does not pay interest. Funds held relating to externally funded projects, which have such a requirement, are held in interest bearing deposit accounts.

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.

## 21. Current liabilities

	2008/2009 £'000s	2007/2008 £'000s
Defra	23,873	48,699
Accruals	25,779	21,786
Trade creditors	14,005	14,476
Taxation and Social Security	1,738	1,761
Deferred income	1,196	1,288
VAT creditor	24	58
Deferred Catchment Sensitive Farming income	0	968
Deferred Aggregates Levy Sustainability Fund income	0	5
JNCC Shared Conservation	325	451
	<b>66,940</b>	<b>89,492</b>

The liability owed to Defra at 31st March 2009 comprises of £20.5m in relation to the charges for the Genesis system, £3.2m in relation to estates recharges and £0.2m 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.

## 22 Whole of Government Accounting – Creditors

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 fall due as at 31 March 2009 were;

Intra-Government Balances	2008/2009 Creditors: amounts falling due within one year £'000s	2007/2008 Creditors: amounts falling due within one year £'000s
Balances with other central government bodies	30,796	52,124
Balances with local authorities	2,829	3,920
Balances with NHS Trusts	9	5
Balances with public corporations	1,845	257
Balances with bodies external to government	31,461	33,186
<b>Total at 31 March 2009</b>	<b>66,940</b>	<b>89,492</b>

### 23.1 Deferred EU Revenue Grant

	2008/2009 £'000s	2007/2008 £'000s
Balance brought forward at 1 April	39	344
Interest receivable	0	2
Revenue grant received in the year	0	(97)
	<b>39</b>	<b>249</b>
Transferred to Natural England income	(39)	(210)
<b>Balance at 31 March</b>	<b>0</b>	<b>39</b>

### 23.2 Deferred EU Capital Grant

	2008/2009 £'000s	2007/2008 £'000s
Balance brought forward at 1 April	0	4
Transfer to Operating Cost Statement to cover depreciation for the year	(0)	(4)
<b>Balance at 31 March</b>	<b>0</b>	<b>0</b>

## 24. Provisions for liabilities and charges

	<b>Balance at 1 April 2008</b> £'000s	<b>Arising in year</b> £'000s	<b>Utilised</b> £'000s	<b>Release of unused amount</b> £'000s	<b>Balance at 31 March 2009</b> £'000s
Dilapidations and onerous contracts provision	975	4,115	(468)	0	4,622
Early retirement	9,216	0	(3,857)	(2,808)	2,551
Litigation	0	875	0	0	875
Pensions	273	36	0	0	309
JNCC	0	25	0	0	25
	<b>10,464</b>	<b>5,051</b>	<b>(4,325)</b>	<b>(2,808)</b>	<b>8,382</b>

The early retirement and severance provision represents the liability for severance and pension payments relating to the 2007-2008 Voluntary Early Retirement and Severance programme and earlier programmes. Pension payments cover the period from the date of early retirement until normal retirement age.

The provision has been reduced in 2008-2009 by £2.8 million as a result of negotiations undertaken with Defra during the year, which has resulted in early retirement costs being funded by Defra through its Modernising Rural Delivery fund. The liabilities for pensioners who retired early prior to 1 September 2002 were taken over by the Principal Civil Service Pension Scheme.

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, (Chair) and Poul Christensen (Deputy Chair, and current Acting Chair). See note 7.4. Included within the pension provision is a balance of £nil (2007/2008 £2k) relating to Natural England's share of the provision for pension costs held within JNCC.

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 Litigation provision represents management's estimates of likely legal costs and claims from existing cases against Natural England.

## 25. Revaluation reserve

	<b>2008/2009</b> £'000s	<b>2007/2008</b> £'000s
Balance brought forward at 1 April	2,023	682
Revaluations in year	693	740
Transfer from Revenue Reserve	(404)	601
JNCC - balance transferred from Revenue Reserve	125	0
JNCC - movement in the year	7	0
<b>Balance at 31 March</b>	<b>2,444</b>	<b>2,023</b>

## 26. Revenue reserve

	2008/2009 £'000s	2007/2008 £'000s
Balance brought forward at 1 April	(78,016)	(24,622)
<b>Grant-in-aid received</b>		
Core funding - Natural England	247,000	169,200
Catchment Sensitive Farming (CSF)	8,454	11,112
Aggregates Levy Sustainability Fund (ALSF)	4,000	5,035
Marine	363	0
Environmental Damage Regulations (EDR)	60	0
Joint Nature Conservation Committee (JNCC)	2,898	2,952
<b>Grant-in-aid received in year</b>	<b>262,775</b>	<b>188,299</b>
<b>Accrued Grant-in-aid</b>		
Catchment Sensitive Farming	1,354	0
<b>Total Grant-in-aid received in year</b>	<b>264,129</b>	<b>188,299</b>
<b>Deferred Grant-in-aid</b>		
Catchment Sensitive Farming	968	(968)
Aggregates Levy Sustainability	6	330
<b>Total Grant-in-aid credited to reserves</b>	<b>265,103</b>	<b>187,661</b>
<b>Other revenue movements</b>		
Fixed asset related		
Assets identified not previously recorded	16	125
Transfer to Revaluation Reserve	404	(601)
IT assets attributed to Defra at vesting	0	47
Increase in bequests reserve	20	86
Net operating cost for the financial year	(231,938)	(240,636)
<b>Joint Nature Conservation Committee (JNCC)</b>		
Transfer to Revaluation Reserve	(125)	0
Change in share of JNCC	1	(76)
<b>Balance as at 31 March</b>	<b>(44,535)</b>	<b>(78,016)</b>

## 27. Reconciliation of net cost to net cash flow from operating activities

	2008/2009 £'000s	2007/2008 £'000s
Net operating cost of activities	(231,722)	(240,645)
Increase/(Decrease) in creditors net of fixed asset creditor	(21,636)	28,172
(Increase)/Decrease in debtors net of interest debtor	696	1,762
(Increase)/ Decrease in stocks	(17)	16
Use of Provisions;		
Net transfer from early retirement provision	(6,665)	(91)
Transfer to pension provision	36	47
Transfer to Litigation provision	875	0
Increase in redundancy provision	0	8,500
Provision for dilapidations and onerous contracts	3,647	975
JNCC Provision	25	0
Adjustments for non cash items;		
Depreciation charge	1,953	1,738
Impairment of asset values	249	121
Release from deferred EU grants	(39)	(210)
JNCC Notional costs	5	6
Decrease in investments (including JNCC)	(1)	(76)
Assets transferred from Defra	0	171
<b>Net cash outflow from operating activities</b>	<b>(252,594)</b>	<b>(199,514)</b>

## 28. Reconciliation of net cash flow to movement in net funds

	2008/2009 £'000s	2007/2008 £'000s
Increase (Decrease) in cash in the period	5,862	(13,444)
Change in net funds	<b>5,862</b>	<b>(13,444)</b>
Net funds at 1 April 2008	7,557	21,001
<b>Net funds at 31 March 2009</b>	<b>13,419</b>	<b>7,557</b>

## 29. Operating leases

As at 31 March 2009 Natural England had annual commitments under operating leases as set out below:

<b>Operating leases which expire:</b>	<b>Land</b> £'000s	<b>Buildings</b> £'000s
Within one year	52	31
In the second to fifth year inclusive	38	57
Over five years	444	45
	<b>534</b>	<b>133</b>

## 30. Contingent liabilities

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. These amount to £590,000 at 31 March 2009 (£7,030 31 March 2008).

## 31. Losses, special payments and gifts

During the year 13 losses were identified totalling £38,072 (8 totalling £15,657 in 2007/2008). There were 2 special payments this year totalling £5,126 (2 valued at £400 in 2007/2008) and gifts totalling £850.

## 32. Post balance sheet events

There were no post balance sheet events. These accounts were authorised for issue by the Accounting Officer who is the Chief Executive, Dr Helen Phillips on 1 July 2009.

### 33. 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 31/03/09	Amount owed to Natural England at 31/03/09	Nature of transaction
		£'000s	£'000s	£'000s	£'000s	
M Appleby	LEAF	20	0	20	0	
R Clarke	Woodland Trust	0	3	3	0	
R Clarke	British Trust for Conservation Volunteers	35	0	1	0	
L Crowe	Forestry Commission	160	169	13	21	
L Crowe	Countryside Recreation Network	26	0	0	0	
L Crowe	Association of National Park Authorities	29	0	22	0	
T Hams	Peak District National Park Authority	210	6	169	0	
D Hulyer	Heritage Lottery Fund	0	116	0	0	
D Hulyer	Surrey Wildlife Trust	46	0	11	0	
C Hurley	Hurley Fencing Ltd	11	0	0	0	
C Pennell	Peak District National Park Authority	210	6	169	0	
C Pennell	Heritage Lottery Fund	0	116	0	0	
H Phillips	Central Science Laboratories	73	0	59	0	
J Smyllie	Telos Partners	97	0	0	0	
P Warhurst	Pennine Prospects	34	0	0	0	
A Wilson	North York Moors National Park Authority	164	9	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. Controls exist to ensure staff are unable to authorise their own Environmental Stewardship agreements. Both Poul Christensen and Peter Allen have interests in farms which have been in receipt of Environmental Stewardship agreement payments. In 2008-2009 these payments amounted to £nil and £37,946 respectively.

# Board Members

This is a summary of Board Members' Interests for 2008/2009

## Sir Martin Doughty Chair

Sir Martin was appointed as the first Chair of Natural England on 2 October 2006 and served until his death on 4 March 2009

Sir Martin held office in a number of organisations:

Chair            Torr Vale Mill BP Trust

Vice President Peak & Northern Footpaths Society and the Arkwright Society

Patron          Institute of Ecology and Environmental Management (IEEM) and Creswell Heritage Trust

Fellow          Royal Society of Arts

Member         Chartered Institute of Water and Environmental Management (CIWEM), BBC Rural Affairs Committee, Labour Party, RSPB and National Trust, New Mills Heritage Centre Management Committee and Green Alliance.

Prior to being appointed the Chairman of Natural England in 2006, Sir Martin chaired English Nature and the Peak District National Park Authority.

## Mr Poul Christensen Acting Chair

Date appointed: 2 May 2006

Appointed until: 30 September 2013

Poul farms in a family partnership at Kingston Farm, in Oxfordshire. A founder of the Tenant Farmers' Association in 1981, he is committed to tenant farming and has a keen interest in conservation.

He is currently a Director of Agricultural Central Trading Limited and has served as a Chair of many agricultural organisations. He is a member of the Defra Management Board.

During the year Poul resigned his position as a Board member of the DTI South East England Regional Development Agency.

He was Chair of the Rural Development Service before taking up the appointment of Deputy Chair for Natural England. Poul is a member of the Joint Nature Conservation Committee's Board and their Audit and Risk Management Committee as Natural England's representative.

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).

Poul became Acting Chair in January 2009 during the later stages of Sir Martin Doughty's terminal illness (at which stage he stood down from Natural England's Audit and Risk committee).

## **Dr Helen Phillips**

### **Chief Executive**

Ex-officio member of the Board

Helen was appointed Natural England's first Chief Executive in February 2006 by the Secretary of State. She is also a member of Natural England's Board and is the Accounting Officer of both Natural England and the Joint Nature Conservation Committee. In leading the Executive, Helen has executive responsibility for the performance of Natural England.

A post doctoral graduate of University College Dublin in zoology, Helen's career spans biology in academia to leadership roles in the National Rivers Authority and the Environment Agency. She is a fellow of the Royal Society of Arts, a fellow of the Institute of Biology, and a member of the Association of Chief Executives. Before taking up her current appointment, she was the Director of Environment Agency, Wales.

## **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 Management Board of the National Farmers Union, and the Responsible use of Medicines Alliance.

Peter holds membership of the National Office of Animal Health Code of Practice Committee, North West Regional Environmental Protection Advisory Committee, Standing Conference for Country Sports and the North West Regional Assembly.

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

## **Ms Melinda Appleby**

Date appointed: 2 May 2006

Appointed until: 30 September 2008

Responsibilities included: East of England region and Broads Authority.

Melinda specialises in sustainable land management and is an independent consultant in agriculture and environment. She is a member of the Consumer Council for Water - Eastern and Central regions, a Council Member of the Royal Agricultural Society of England and a member of its Practice with Science Group (non-remunerated), and a member of LEAF's nominated Strategic Development and Policy Committee. Since July 2008, Melinda is a trustee of the Thornham Field Centre Trust.

Melinda was a Council Member for English Nature from 1998-2004 and a Board Member of the Rural Development Service from 2005-2006, before taking up the appointment of Board Member for Natural England. She holds ordinary membership in NFU Countryside, CLA, and The Farmers Club.

## **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 three-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 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.

## **Dr Roger Clarke**

Date appointed: 2 May 2006  
Appointed until: 30 September 2008

Responsibilities included: National lead for National Parks and Areas of Outstanding National Beauty.

Roger was Chief Executive of the Youth Hostels Association and a member of its board from 2000 to 2008. From 1984 to 1999 he was Policy Director in the Countryside Agency. He is a Board member of the European Federation of Youth Hostel Associations. Roger was a Council Member for English Nature from 2004-2006, before taking up the appointment of Board Member for Natural England.

Roger is an Expert Panel member for Heritage Lottery Fund and is also a member of Woodland Trust, British Trust for Conservation Volunteers, Woodbrooke Quaker Study Centre and the Development Education Association.

## **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.

During the year Lynn ceased her position as a training facilitator for the Association of National Park Authorities.

## **Mr Merrick Denton-Thompson**

Date appointed: 2 May 2006

Appointed until: 30 September 2008

Responsibilities included: South East region and South Downs National Park.

Merrick was Assistant Director of Environment at Hampshire County Council. He is a trustee of the Learning Through Landscapes Trust, and Marwell Zoo. He holds membership of the Landscape Institute.

Merrick was awarded an OBE in 2002 for services to education.

## **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 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**

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**

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. 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.

## **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 on People and Nature programmes and projects. He was previously the Director of Conservation Programmes 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 and a member of HLF's South West Committee.

Doug is currently Vice-President of the Surrey Wildlife Trust, a member of the Learnings Panel of the National Trust, Executive Board member for the Council for Environmental Education, and a member of The Great Fen Project Foundation.

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

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

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 at Oxford University. He is also Chairman of the Darwin Advisory Committee, Defra.

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. In 2008, he was elected a Fellow of the Royal Society of Edinburgh.

Other relevant interests are Director of the Oxford Stress Diagnostics. He is also Senior Research Fellow of Lady Margaret Hall, a Board Member of the Wildfowl and Wetlands Trust, the World Wildlife Fund and Earthwatch.

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**

Date appointed: 2 May 2006

Appointed until: 30 September 2010

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 Bear Café and 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.

# 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 low-carbon 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 targeted 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.

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