

Natural England Annual Report and Accounts

1 April 2014 to 31 March 2015

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Natural England

Annual Report and Accounts
1 April 2014 to 31 March 2015

Presented to Parliament pursuant to Paragraph 25 of Schedule 1 to the
Natural Environment and Rural Communities Act 2006.

Ordered by the House of Commons to be printed on 2nd July 2015



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This publication is available at www.gov.uk/natural-england

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Print ISBN 9781474117852

Web ISBN 9781474117869

ID P002723858 07/15

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office.

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Foreword

Natural England's role is to create conditions in which nature and the economy can thrive. Working with the grain of government policy we do this through practical advice to decision-makers and customers, grounded in science, technical expertise and our local knowledge, and we are focused on finding solutions.

Last year we made significant changes to our organisation. We have undergone a transformation with a new Chair, Board, Chief Executive and senior leadership team all appointed within the last 18 months. This renewed and unified non-executive and executive leadership group is driving forward a programme of change to enhance the organisation's delivery of its statutory functions through de-regulation, modernisation and culture change. This has been coupled with a strong focus on local delivery and partnership working to enable more rapid, more pragmatic local decision making, a drive on innovation and a diversified funding portfolio.

Crucially, Natural England has improved performance delivery and ensures that the organisation is agile, flexible and resilient within the reduced resource conditions it has faced and continues to face. This year the new leadership has driven a renewed focus on outcomes and solutions rather than processes and targets, as well as on improved stakeholder confidence and feedback to ensure that we are easier to do business with.

We have made significant improvements in working relationships with major industry, developers and upland stakeholders. Natural England has an overall satisfaction rating of 90% from its point of service feedback. 99% of planning consultations are responded to within the required 21 days or agreed timeframe. Natural England responded to over 25,000 marine and terrestrial consultations in 2014/15, objecting to less than 2% on environmental grounds.

We have launched an Outcomes Approach for working in the uplands, which was tested recently at industry-led workshops. The Outcomes Approach places land managers legitimate aims alongside our own, and sets a trajectory to meet everyone's jointly agreed outcomes for a site. The approach supports our core role in delivering for the natural environment, whilst acknowledging we can only do this in partnership.

Natural England is driving innovation to balance the books in a climate of reduced resources, diversifying our funding via enhanced chargeable services and cost recovery. We have developed a comprehensive programme of enhanced chargeable services with a view to achieving 2.5 million of income in 2015/16, an increase from its current level of £576k, with more planned by 2020.

We are supporting economic growth rewarding our customers with earned autonomy. We have made significant progress with delegating authority to others, for example, the Forestry Commission. Our Bat Licence trial, which offers a system with radically reduced paperwork is speeding up processing times by more than 50%. The way that the organisation has delivered examples like this demonstrates the skill and expertise of our staff and the robustness of the business processes that we have put in place. We have a very experienced work force: nearly two-thirds of our colleagues have high level skills across a range of environmental specialisms and one-quarter of our staff have environmental skills at expert-level. On average, each member of our staff holds more than five environmental specialist skills at a high level; and the number of records of high level skills across our wide range of environmental specialisms has increased by 10% since 2014.

We have put our expertise to good use by streamlining our regulatory responsibilities and increasing transparency. For example, we have initiated increasing web access to our data, helping our customers understand how we translate the underpinning evidence into our advice, making our organisation easier to do business with. We have been working very closely with the Defra One-Business programme to deliver back office savings and as a result 96% of our staff are now focused on delivery.

All of this work has helped us to continue to work towards securing a better natural environment for future generations. We have increased opportunities for people to access the natural environment for example via National Trails and the new England Coastal Path; since 2010, 1,000km of the English Coastal Trail has been started and over 250km has been approved.

We have delivered a step-change in the environmental enhancement of agricultural landscapes through Environmental Stewardship schemes, and the early payment of £3.6bn into rural economy since 2006, supporting communities and benefiting the environment. This year saw payments on time every year since 2006, the successful development of the new Countryside Stewardship scheme, and we are on track to progress roll out of Countryside Stewardship in July and provide significant support to the RPA on Basic Payment Scheme.

We have maintained 95% of SSSIs in favourable or recovering condition and designated Bolton Fell Moss and Bushy Park as SSSIs as well as making significant contributions to the increase of populations of key rare and threatened species such as the bittern, and the previously extinct large blue butterfly and short-haired bumblebee.

Looking forward to 15/16 our priorities are to:

- play a full role in supporting Defra and new ministerial priorities and facilitate sustainable economic growth across Government
- continue to invest in innovation including extending our enhanced chargeable services and cost recovery ideas
- continue with the reform and modernisation of key systems and processes and complete our work to streamline regulatory and licensing responsibilities
- successfully launch the new Countryside Stewardship scheme and maximise the contribution this makes to the Biodiversity 2020 programme
- fully deliver on the additional investment on the England Coastal Path; and
- continue our support for Defra's Marine designation programme



Andrew Sells
Chairman,
Natural England



James Cross
Chief Executive,
Natural England

16 June 2015

Annual Management Commentary

Strategic Report

About Us

Natural England was created as a Non Departmental Public Body (NDPB) under an Act of Parliament – the Natural Environment and Rural Communities (NERC) Act 2006. Our 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.” Our duties and powers under this general purpose are wide ranging. For example, we may undertake research, give advice to any public authority or person, and publish information about our work. All of our work is carried out under the NERC Act 2006 and other environmental legislation (including European and international obligations) or at the specific request of Government.

Our remit is too wide-ranging for Natural England to deliver alone. It is vital that we work with civil society, business and other public sector organisations to get the most out of our collective resources and to deliver better and more joined-up outcomes for the natural environment.

We are a national organisation that covers the whole of England, extending 12 nautical miles out to sea (and 200 nautical miles for advice on renewable energy impacts). On 31 March 2015 we had 1,935 permanent employees. We are formally responsible to the Secretary of State for Environment, Food and Rural Affairs, who is accountable to Parliament for our activities and performance.

Our Priorities

In 2014 we published our 2014-19 Corporate Plan, which set out our plans to deliver Government’s priorities for the natural environment up to 2019. The plan explained how we are adjusting our priorities to reflect the changing financial context, the resources that we allocate and the key performance indicators we use to measure and report on our performance.

Our plan is structured around ten business areas that deliver our statutory duties and core environmental outcomes, as set out in the Natural Environment and Rural Communities (NERC) Act 2006. This requires us to:

- promote nature conservation and protect biodiversity
- conserve and enhance the landscape
- secure the provision and improvement of facilities for the study, understanding and enjoyment of the natural environment
- promote access to the countryside and open spaces and encourage open-air recreation; and
- contribute in other ways to social and economic well-being through management of the natural environment

In practise we operate an integrated approach to delivery, with a focus on integrated and locally-based partnership projects delivering multiple biodiversity, landscape and access/recreation benefits.

This report sets out the progress we have made in 2014/15, working alongside thousands of land owners and local partners to improve the natural environment; to facilitate high quality development that

enriches people's lives; to share our evidence and expertise; and to stimulate growth and innovation in the countryside.

Our Corporate Plan 2014-19 set out the 13 key performance indicators that we need to deliver to achieve our outcomes. Annex 1 describes in detail our performance against those indicators.

This management commentary focuses on key examples of how we are achieving our outcomes and contributing to the Government's priorities.

Terrestrial Biodiversity

While we have protected many important sites, restored the population of some vulnerable species and are working to deliver government's ambitious targets for the restoration of important habitats, as set out in the England Biodiversity Strategy (Biodiversity 2020), much remains to be done. In particular, we have a long way to go to restore biodiversity to a level that is sustainable across our countryside. Our ambition must be to create resilient ecosystems across the country, both through and beyond protected sites.

Highlights for 2014/15

- Wildlife, communities and local economies are reaping the benefits of England's new Nature Improvement Areas, according to a report published in November 2014. Nature Improvement Areas (NIAs) set up by the government in 2012, have helped farmers to access EU grants, made valuable contributions towards university research and boosted the £210 billion rural economy. They've also attracted outside investment – more than £730,000 from business partners and £7.8 million from non- government organisations (NGOs) and not-for-profit organisations, according to the report. Natural England area teams and national staff have been playing an active and key role in helping support and facilitate NIA delivery. Almost 19,000 hectares of threatened habitat - equivalent to 23,000 football pitches- have been created or restored since the NIAs were set up.

It was announced in December 2014 that the areas of vegetation growing alongside the transport network, known as "green corridors", are to be enhanced as part of a £3 million pilot project drawing together Natural England, the Highways Agency, Network Rail and Nature Improvement Area (NIA) partnerships. It will ensure that these green corridors can accommodate more wildlife – especially pollinators – and enable greater movement between sites. For the first time, this type of conservation work will not only focus on improving conditions for plants, animals and insects, it will also benefit transport users and the wider public by making infrastructure more resilient to the growing impacts of climate change, such as increased flooding and winter storms. The pilot project will focus on the NIAs in Morecambe Bay, between Cumbria and Lancashire, and the Humberhead Levels, straddling Yorkshire, Lincolnshire and Nottinghamshire. If the 3-year pilot is successful it could usher in a similar approach across the country.

- After a 40 year absence, a population of the critically endangered tansy beetle has been found in the East Anglian fens. This rare and visually stunning iridescent green beetle (*Chrysolina graminis*) was previously believed to have one last remaining stronghold in the UK, on a 30km stretch of the banks of the River Ouse in York. The momentous discovery at Woodwalton Fen NNR is significant as it demonstrates the resilience of the species when given the right conditions. The tansy beetle - a large green leaf beetle with a coppery sheen - was once widespread in Britain, but it is currently critically endangered, not just in the UK but across its

worldwide range. It is now a conservation priority species in England (section 41), which means that we have a duty to protect it, together with its habitat.

Marine Biodiversity

Our seas are extremely rich and diverse, with the widest range of habitats in Europe. The marine environment contributes substantially to our economic and social well-being, providing a range of ecosystem services, including playing an important role in climate regulation. Unsustainable human activity has damaged the marine ecosystem, threatening wildlife as well as the goods and services it provides. To address these challenges, effective planning and management of the seas around England is needed. This means applying an approach that integrates the identification and management of an ecological network of Marine Protected Areas, with management of the wider ecosystem, guided by the Marine Strategy Framework Directive. This will help achieve the Government's commitments under Biodiversity 2020 and its priorities to achieve clean, healthy, safe, productive and biologically diverse oceans and seas. Natural England's role is to provide advice and an evidence base to government and regulators to improve decision making in the marine environment and deliver environmental objectives.

Highlights for 2014/15

- In August 2014 we delivered our formal advice to Defra on a second tranche of Marine Conservation Zone (MCZ) sites. These tranche 2 sites are very important in filling the ecological 'gaps' in a coherent network of Marine Protected Areas (MPAs) which we need to complete in order fulfil our national and international commitments. Our advice has enabled Defra to undertake a consultation (January – April 2015) on 23 sites and we will now analyse the evidence gathered during the consultation to advise Defra on which of the recommended MCZs should be designated by the end of the 2015.
- During 2014/15 we made available to our partners for the first time Marine habitat data. We have published the Geographical Information (GI) for the supporting habitats on MAGIC for the first batch of marine Special Protected Areas (SPAs) and marine Ramsar sites that have had draft Conservation Advice packages published. This is the first time marine habitat data has been published on MAGIC and starts to address the issue that our evidence base is not accessible to stakeholders.

Landscape and Geodiversity

England's landscapes are diverse and dynamic. Over the last 60 years, the government has protected our most iconic landscapes, designating them as National Parks and Areas of Outstanding Natural Beauty (AONBs), and managing the process of change there. In addition, we have protected many of the most significant geological and geomorphological sites in England, but others remain vulnerable.

The wider landscape, outside protected areas, is often taken for granted, and change there is less well monitored. The importance of underlying geodiversity and the dynamic geomorphological processes that continue to shape our landscapes often goes unrecognised. Our job is to provide protection where that is called for but also to increase understanding of landscape and provide opportunities for people's engagement with all our changing landscapes.

Highlights for 2014/15

- Following the publication of all 159 National Character Area (NCA) profiles in May 2014 we have seen over 78,000 downloads of the profiles in the last year. NCAs integrate a wide range of environmental information including the characteristic landscape, wildlife, cultural and geological features, how the landscape is changing, locally tailored information on ecosystem services and the local environmental opportunities for the future. They are already being used for a wide range of purposes, including as a local evidence base supporting applications to Heritage Lottery funded landscape projects - £20 million this year alone and providing land use planning authorities with the natural environment context necessary for local development strategies.
- In August 2014 the Ecosystem Approach Handbook was published, developed by Natural England and Countryside, to help landscape scale partnerships benefit from the ecosystem approach. The ecosystem approach is a way of working that helps us to identify the benefits we get from nature, value them and build them into planning, decision making and management. It helps us to deliver a healthy sustainable environment and involve people in that process. The handbook builds on partnership projects that Natural England has supported in Bassenthwaite and the South Pennines and includes resources and case studies shared by members of the Ecosystems Knowledge Network.

Access and Engagement

Natural England is charged with conserving the natural environment as a resource for people to enjoy, understand and study. We are responsible for promoting access to the countryside and open spaces and encouraging open-air recreation.

We have a strong inheritance in the provision for access to the natural environment across England. There are hundreds of miles of National Trails, over a million hectares of open access land where people can wander more freely, extensive networks of local public rights of way, and a programme to deliver a path around the entire English coastline. But we know that these facilities are not always as widely used as they might be and, at a time when local and national maintenance funding is reducing, we have a key challenge to maintain and improve the quality of access infrastructure for all the users of it.

Highlights for 2014/15

- The Natural Connections Demonstration Project is an exciting initiative funded by Natural England, DEFRA and English Heritage, which Plymouth University was awarded the contract to deliver. It is one of the largest outdoor learning projects in the UK and involves around 150 schools. This innovative project operates at a local, school-led level, in 'hubs' across the South West. Natural Connections runs until March 2016 initial findings show that 96% of schools report that learning outside the classroom in the natural environment (LINE) has improved health and wellbeing and engaged children more in learning.
- The Paths for Communities project invested in over 183 km of public rights of way (PROW) including the creation of an additional 55 km of new bridleway and 21 km of new footpaths - in total over 76 km of new PROW. In addition, the project secured improvements to a further 107 km of existing routes where these were connected to the new PROW created. The 2 year community-focused initiative, which ended in May 2014, was set up to develop and enhance local public paths, both extending access and making the network easier to use.

- In January 2015 the annual report from the Monitor of Engagement with the Natural Environment (MENE) survey revealed that over the last 5 years our enthusiasm for spending time outside relaxing and unwinding, watching wildlife, enjoying the scenery, or as a way to keep healthy, has increased. In total, 58% of the population claim to make one leisure visit or more to the outdoors every week and between March 2013 and February 2014, it is estimated that the 42.3 million adults resident in England took a total of 2.93 billion visits to the natural environment.

Environmental Land Management

We deliver most of the Rural Development Programme on behalf of the government. This supports good environmental land management by farmers and other landowners, and enables improvement in the condition of many of our protected sites and secures better environment outcomes across the wider countryside.

Highlights for 2014/15

- Early in 2015 a new study, published in the journal *Agriculture, Ecosystems & Environment*, highlighted the positive benefits of Higher Level Stewardship (HLS) on 6 target farmland bird species over just a three-year timespan. Farmland birds were surveyed on 65 farms under HLS agreement in three study areas across England (East Anglia, Oxfordshire and West Midlands) – a baseline survey was undertaken in 2008 and a repeat in 2011. Significant, positive effects at the farm-scale were recorded for 6 out of 15 farmland bird species, in just three years. The 6 species were grey partridge, lapwing, reed bunting, yellowhammer, tree sparrow and house sparrow, all declining Section 41 species.
- Over the past year more than 300,000 children have participated in outdoor learning visits on farms funded through the Agri-Environment Schemes administered by Natural England, making it one of the largest single outdoor learning services in the UK. The number of children taking part in farm visits as part of the Educational Access scheme has also more than doubled in the last three years.
- A recent evaluation report on Catchment Sensitive Farming (CSF) concluded that widespread uptake of advice and a dedicated capital grant scheme have brought about significant improvements to soil and land management practices and pesticide levels have declined significantly in monitored river catchments as a result of the voluntary uptake by farmers of best practice and grant funding. CSF is a voluntary initiative offering free, practical advice and training to farmers and land managers on how to reduce diffuse water pollution from agriculture across 77 Priority Catchments in England.

National Nature Reserves

There are 224 National Nature Reserves (NNRs) in England covering 94,000 hectares with Natural England managing 143 of these on its own or jointly with others, and the remainder are managed by Approved Bodies. As well as being some of the most valuable examples of England's wildlife and geology, the NNRs offer significant opportunities to contribute to the restoration of wider ecosystems and to get people involved in looking after their natural environment. The NNRs have a major role in contributing to our evidence around changes to our biodiversity, and they provide nationally important facilities for research and public understanding in the natural environment.

Highlights for 2014/15

- We have received a £740,000 grant from the Heritage Lottery Fund (HLF) as part of their Skills for the Future programme. This will enable us to train 99 recruits in essential techniques for caring for England's most valuable wildlife habitats, as part of our Nurturing Nature Conservation Skills using National Nature Reserves project. The training will be delivered over a four-year period, through a combination of placements based on our National Nature Reserves. The opportunities will consist of a combination of three-month placements and longer term eighteen-month appointments. The eighteen-month appointments will offer successful candidates a land-based diploma qualification at the end of their period.
- Thanks to the hard work of volunteers at Shapwick Heath National Nature Reserve (NNR), a total of more than 170 bearded reedlings were recorded over a 4 week period at the reserve in the autumn of 2014. The first ever survey of the birds at our Shapwick Heath NNR has revealed the encouraging results. It proved that there are more of the rare birds using the reed beds at the reserve than previously known. As recently as 10 years ago the total number of bearded reedlings in the whole of Somerset was probably only around 20 birds. The birds are only found in reed beds, where they nest among the reed stems and feed on reed seeds and reed bed insects. With only around 600 breeding pairs in the UK, they are one of the country's rarest birds and a target for special conservation effort. Shapwick Heath is one of only a handful of places in the south west where the sparrow-sized birds are found and may have been attracted by the mosaic of rich wetland habitat that has been created.
- For the first time in recorded history, ospreys have successfully raised two chicks on one of our National Nature Reserves. Ospreys became extinct as a breeding bird in England in 1840 and did not return until 2001. Today, there are between 200 and 250 pairs of breeding osprey in Britain, but most of these are in Scotland. It is hoped that the birds – which tend to be faithful to a nest site - will return to breed at Roudsea Wood and Mosses NNR in future years and raise many more young. There has been a record of six reported breeding pairs of ospreys throughout Cumbria this year, which is the highest number since the bird returned to breed in England in 2001.
- We have a four year national programme under which our NNRs are being dedicated legally for public enjoyment, unless there are compelling reasons not to do so. To date public access rights have been granted to 36 of the 37 NNRs within the dedication project, providing 6,779 hectares of dedicated land. In addition, higher rights access, e.g. for horse riding, has been agreed on approximately 18 kilometres of tracks and paths within the dedicated reserves.

Support to the Planning System

Natural England works with a variety of stakeholders and planning processes whilst undertaking our role as a statutory adviser to the planning system. Our advice supports sustainable development, avoids unnecessary conflict between the built environment and nature and helps to identify opportunities to deliver benefits for people, from green infrastructure, including sustainable urban drainage and urban cooling. We have made great strides in making our advice services more accessible and easier to use, becoming more efficient and removing delay and uncertainty for developers and planning authorities. We will continue to focus our efforts on where we can make the biggest difference to the environmental impact of development, and we will maintain and strengthen strong connections through our local teams.

Highlights for 2014/15

- In October 2014 we published our refreshed Improvement Plan for planning and licensing on GOV.UK. The plan reflects a series of actions announced in December 2013 as part of the Triennial Review Action Plan. It also shows how we are improving our service to help cut red tape and unnecessary bureaucracy. In line with the Government's regulatory reform agenda, we have worked with stakeholders on plans to ensure that our advisory, consenting and licensing services are more efficient and customer-focused, and that they are better joined up with other Government services. Our refreshed Improvement Plan outlines our work in this area and how we are putting customer needs first so that they can provide sustainable economic growth which delivers more for the natural environment.
- The improvements we have put in place are now starting to be felt across the development sector. We recently reported that our performance in responding to planning consultations had reached record levels, with 98.9% receiving official advice within the stated deadline. This is a significant improvement in our performance since 2008-09 when around 83% of planning application responses were issued within the agreed timeframe.
- The first terrestrial evidence plan, drawn up by EDF Energy in consultation with relevant bodies and approved by Natural England, sets out the information that the company will gather to inform a Habitat Regulations Assessment of its proposed new nuclear power station in Suffolk. The location lies close to internationally-important wetland, heathland and marine habitats, which are home to a number of protected species such as the bittern, marsh harrier and red throated diver. The Sizewell C evidence plan is one of a number of ways that Natural England is seeking to improve its planning and licensing services for customers.

Wildlife Management

Certain species of animals and plants found in the wild in the UK are legally protected from being harmed or disturbed by a range of legislation. We are a regulator in the natural environment, partly through our role as the licensing authority for wildlife management and as the consenting authority for operations on protected sites. Regulation provides an important backstop to prevent damage and deterioration to the environment but we need to regulate in a way that is proportionate and transparent. We will continue to find ways to refine regulatory processes and to streamline our advice and guidance, while creating a robust regime that promotes compliance.

Highlights for 2014/15

- In February 2015, Natural England issued a licence to the Devon Wildlife Trust, permitting the managed release into the wild of beavers currently resident in the River Otter catchment in Devon, on a 5 year trial basis. Under the terms of the licence Devon Wildlife Trust must develop a management strategy to deal quickly with any undesirable impacts which the beavers may have on the River Otter during the trial period, as well as a monitoring programme to study their impacts.
- In March 2015 we launched a new bat class licence, as part of our Species Licensing Improvement Programme. Following a successful trial between July 2013 and June 2014 the Bat Low Impact Class Licence seeks to establish a simplified way of licensing certain low impact bat mitigation licence applications. The new licence allows registered consultants to undertake specified works for common scenarios where the risk to bat populations is low.

- Our customers have continued to see the benefits from our licensing improvements. In March 2015 an estimated further £56,000 was saved in costs from the Great Crested Newts, Dormice and Bat annexed licensing approach, bringing the cumulative saving since we began the improvement programme to £659,000 which represents a saving of more than 12% against our baseline.

Evidence

Natural England is the statutory adviser to government on the natural environment and requires the best available evidence to inform that advice. We want to ensure that the evidence we use is of sufficient quality, is understood and trusted to support good decisions. Our role is to mobilise evidence from our own sources and from others; present it in compelling and accessible ways; and make it available to shape our own decisions and those of partners, communities, businesses and individuals across the country.

Highlights for 2014/15

- Social media is offering good opportunities to help us share our evidence wider. The results from the Monitor Engagement with the Natural Environment (MENE) project are regularly tweeted and Twitter and other social media are a valuable component of the project's communications plan. For example, we reported via 'Twitter' the headline that 2.7 billion visits to the natural environment in England in 2012 were worth £2 billion to the rural economy. This was re-tweeted to over 10,000 additional people by the Forestry Commission and others.
- In June 2014 Natural England and the RSPB, in partnership with the Environment Agency and the Forestry Commission, published an important resource to help conservation managers respond to the impacts of climate change. The Climate Change Adaptation Manual contains a wealth of information and tools which we hope will help conservation advisors and managers make informed decisions about practical adaptation measures. The manual is a commitment in the Government's National Adaptation Programme, and forms part of our own Adaptation Plan, published in 2012.
- Our new summaries of evidence, published externally for the first time in March 2015, allow the public instant access to the wealth of knowledge we hold about the natural environment. The 9 summaries (with more to follow) cover the full range of Natural England's work, with each document providing a statement of the current evidence base, setting out what we do know, what we don't know and areas that are subject to active research and debate.

Corporate Services

The expectation that our people will be responsive, pragmatic and empathetic underpins our approach to achieving our priorities, and we will continue to improve our understanding of the businesses and communities we work with. We will also work with partners in the Defra network and beyond to ensure that our business processes are effective and efficient, delivering for our customers and providing value for money and supporting environmental outcomes. We will ensure that staff are supported with the tools they need to do their work including Information and Communications Technology (ICT).

Highlights for 2014/15

- Natural England's external website moved to GOV.UK in October 2014. GOV.UK is part of the government's strategy to improve digital delivery of public services and to help people get the information they want more easily without having to search through multiple government websites. Moving all Government websites onto a single platform should also deliver significant savings for the whole of government, saving in excess of £50 million a year in site hosting and maintenance costs.
- Throughout 2014/15, our Customer Service Excellence Accreditation re-assessments have been taking place and all nine of our teams reviewed so far have been formally reaccredited, representing over 60 per cent of our staff.
- Our overall 2014/15 transactional customer feedback says that 90 per cent of responders are 'satisfied' or 'very satisfied' with the service they receive from us. Our transactional feedback comes from wildlife licensing; land use planning advice; land management advice; digital service-centre support feedback; and we have recently started to include marine planning consultations.

Financial commentary

This Annual Report and Accounts covers the activity and performance of Natural England for the 12 months 1 April 2014 – 31 March 2015. Natural England is predominantly funded by Defra and therefore our funding agreement operates within the context of the Comprehensive Spending Reviews (CSR) which HM Treasury agrees with each Government Department. 2014/15 is the fourth financial year of the CSR 2010 settlement which covers the spending plans for the period 2011/12 to 2014/15.

Natural England's original 2014/15 Grant in Aid (GiA) settlement was £155.1m, reflecting a further reduction of £7.6m in 2014/15, which is over and above the £44.2m reduction in core GiA over the four years 2011-2015. This represented a 22% cut in our overall annual funding and a 30% cut in the portion of the budget that we directly manage (the other portion of our budget relating to recharges for IT, Estates and other systems provided centrally by Defra). During 2014/15 additional funding was secured bringing the total GiA received to £179.6m. The additional funding was for successful capital bids, increased cost of Defra services and in relation to land at Bolton Fell Moss.

Spending controls which were implemented by Cabinet Office in May 2010 and updated in February 2014 have continued to be applied throughout the year with strict controls on recruitment, use of temporary staff, use of consultants, IT projects, advertising and marketing and property.

In accordance with HM Treasury's Financial Reporting Manual (FReM), the GiA is recognised in the General Fund.

Available resources

We recognise that our staff are our greatest asset, bringing together a wide range of knowledge and skills to the challenges of safeguarding our natural environment - combining expertise in farming and land management; conservation and ecology; terrestrial and marine biology; land use planning and landscape architecture; geology and hydrology with a track record of delivering a first class service to our customers and value for money.

We want to continue striving to build a resilient workforce, which is both flexible and forward looking so that we can respond quickly to the evolving environment in which we operate. To this end, we actively encourage learning and development opportunities, aiming to allow our staff to access a variety of different ways to develop the knowledge, skills and behaviours required to work effectively, both now and in the future. We constantly review how our resources are deployed to frontline delivery to ensure we maximise the outcomes for the natural environment.

Since the outcome of the 2013 Triennial review, we have worked hard to increase our engagement with key partners, as this is vital to the success of Natural England's business. In particular, we continue to work closely with the Environment Agency and Forestry Commission on a daily basis all over England. We are also helping to deliver a range of other civil society partnerships and are moving towards a more localised approach.

Natural England has invested £5.2m during 2014-15 (2013/14 £5m) in additional assets to contribute to the delivery of its business objectives. Natural England manages 143 of England's NNRs on behalf of the nation, either directly or through partners.

Our future and how we are changing

Natural England will continue to change in order to meet future financial challenges working collaboratively with Defra to deliver the government's priorities. We have received an indicative budget from Defra for 2015/16 which is a lower settlement than we had for 2014/15. Following the election, we are working with Defra to finalise our Corporate Plan and budget allocations for 2015/16.

On 1 October 2014, Defra successfully implemented a network wide Corporate Service, which brought together resources from the separate network bodies into a single central corporate services function to cover Estates, Procurement and IT. Defra has included our GIA for 2015/16 in their estimates which have been approved by Parliament. We would expect continued support from Defra in future years. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

In June 2013 Defra published the outcome of the Triennial Review, which looked in detail at the work carried out by both Natural England and the Environment Agency. It concluded that both organisations should be retained as separate Non-Departmental Public Bodies, keeping their current purposes and statutory roles, but should work more closely together. A Joint Action Plan was produced by Natural England and the Environment Agency addressing Triennial Review recommendations in conjunction with feedback from customers and partners. We have delivered the action plan and a final report detailing the success of this was published in November 2014.

We have reviewed our strategic purpose. We wish to continue to deliver across the breadth of our remit, whilst engaging with customers and partners locally. We have taken the opportunity to restructure our teams putting the emphasis on local delivery, partnership working and innovation in what we do.

Financial performance summary

In 2014/15 Natural England's total GiA was £179.6m (2013/14 £192m) which made up 93% of receipts. A breakdown of the remainder is shown in Note 6 of the accounts. Outcomes for the natural environment are delivered both directly through GiA and other income it receives, and also through partnerships with other organisations that fund work for the natural environment.

Natural England is also responsible for the management and delivery of the Rural Development Programme England (RDPE). £427m in 2014/15, (£443m 2013/14), was paid to landowners and farmers for the environmental benefits delivered. This spend is accounted for by Defra, but Natural England incurs the administrative cost of delivery. The programme has been delivered very successfully by Natural England, delivering the desired business outputs within forecast, and contributing to finance planning for the next programme.

Employees

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

We have an Inclusion Steering Group drawn from all levels and which includes 'champions' from our Leadership for each of the priority areas we have identified on which to focus and drive improvements. We are members of 'Opportunity Now' who represent employers who want to ensure inclusivity for women. We are also members of 'Business Disability Forum' and we have signed the 'Time to Change Pledge': an initiative in partnership with MIND and Rethink Mental Illness to tackle the stigma that can be encountered by those with mental health issues. Working alongside our parent department, Defra, we have contributed and shared in wellbeing and women's networks. New guidance has been launched for carers including a 'Carer's Agreement'. Additional support to staff is provided through our Employee Assistance Service.

Natural England's skills development programme continues to focus on the technical and scientific skills required for people to deliver environmental outcomes, the personal skills all staff need to work effectively, and on leadership capability (especially for future leaders). The continued development of our "Skills Framework" system gives us a good picture of our skills and capabilities which helps us to prioritise skills development activity and resources. Natural England continues to allocate and provide budget for 10 days to each individual for their personal development.

The workforce strategy sets out how Natural England will develop and deploy our people. We aim to retrain, develop and nurture our workforce so that we can deliver the priorities and outcomes defined in the Strategic Direction, Corporate Plan and Local Delivery Plans. This year we have refreshed our strategic workforce planning and all teams have completed Workforce Plans, supported by individual team packs of Management Information and active succession planning. Our Partnership Agreement with the trade unions reflects our continuing commitment to involve employees in improving the quality of working life in Natural England. Through this Agreement we jointly commit to working together to ensure that Natural England is a successful organisation supported by committed, skilled and motivated employees.

Natural England's management and the Trade Unions (Public and Commercial Services (PCS), Prospect and the FDA) continue to have open, positive and constructive dialogue, both through the mechanism of the National Joint Group and through the partnership approach which was reviewed and signed off in January 2015.

We continue to monitor the health, safety and wellbeing of our employees. We have revised our health and safety policy and continued with training and refresher training for our people leaders to accredited Institute of Occupational Safety and Health (IOSH) standards. We have adopted a back to basics approach with risk assessment and incident investigation to get the fundamentals right and seek to improve both numbers of incidents reported and the quality of investigations.

We have continued with the employee health surveillance programme looking at noise, vibration and respiratory function for those working in high risk areas and have followed up on those risks identified.

We have continued with our programme of health and safety inspections on National Nature Reserves and involved local managers in these to broaden knowledge of health and safety risks in these areas.

During 2014/15, the Average Working Days Lost (AWDL) to sickness absence for Natural England employees was 4.1 days (4.3 days in 2013/14). This remains well below the overall Civil Service average, of around 7.3 days per employee per year (based on most recently released figures September 2014).

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

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

Table 1: For all off-payroll engagements as of 31 March 2015, for more than £220 per day and that last longer than six months

	Number
No. of existing engagements as of 31 March 2015	-
of which:	
No. that have existed for less than one year at time of reporting organisation's payroll	-
No. that have existed for between one and two years at time of reporting	-
No. that have existed for between two and three years at time of reporting	-
No. that have existed for between three and four years at time of reporting	-
No. that have existed for four or more years at time of reporting	-

Table 2: For all new off-payroll engagements between 1 April 2014 and 31 March 2015, for more than £220 per day and that last longer than six months

	Number
No. of new engagements between 1 April 2014 and 31 March 2015	1
No. of new engagements which include contractual clauses giving Natural England the right to request assurance in relation to income tax and National Insurance obligations	1
No. for whom assurance has been requested	1
of which:	
No. for whom assurance has been received	1
No. for whom assurance has not been received	-
No. that have been terminated as a result of assurance not being received or ended before assurance was received.	-

Table 3: For any off-payroll engagements of board members and/or senior officials with significant responsibility between 1 April 2014 and 31 March 2015

	Number
No of off-payroll engagements of board members and/or senior officials with significant responsibilities	-
No of posts as of 31 March 2015, within Natural England that contain, or once filled would contain, individuals that are "board members" and/or senior officials with significant financial responsibility". This figure includes both off-payroll and on-payroll engagements.	7

Staff split by Gender

Changes to the Companies Act 2006 set out new legislation which states that the gender split of employees must be reported. The following table includes all permanent and temporary staff, including staff on career breaks and unpaid maternity leave as at 31 March 2015;

	Male	Female
Non-Executive Directors	8	2
Management Staff	13	4
All Other Staff	956	1,149
Total Staff	977	1,155

Social Community Statement

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

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

Sustainability and Environmental Reporting

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

As well as driving sustainable development as part of our statutory responsibilities, Natural England remains committed to reducing its operational impact on the environment. We aspire to be an exemplar in the demonstration of sustainable ways of working and through rigorous sustainability reporting. In particular, we will ensure that the culture we have adopted around carbon reduction remains embedded in our daily work.

Our Sustainability and Environmental Report is attached at Annex 2.

As a government body, Natural England is required to report on the Greening Government Commitments (GGC). These consist of a range of targets around our environmental performance, including:

- reducing greenhouse gas emissions
- reducing the amount of waste we generate
- reducing water consumption and reporting on office water use
- ensuring government buys more sustainable and efficient products and engages with its suppliers to understand and reduce the impacts of its supply chain

We are working closely with Defra, our parent department, and our landlords across the majority of the estate. Our performance for 2014/15 has been excellent, with us meeting or exceeding each of our GGC targets.



James Cross

Accounting Officer and Chief Executive

16 June 2015

Directors' Report

Research and development

Natural England has spent £4.43m on science and monitoring evidence in 2014/15. This excludes the cost of staff time spend on research as well as excluding other programme delivery carried out by the Science and Evidence directorate during the period.

In addition to this Natural England has provided £952k to support species recovery projects, co-ordinated the delivery of £1.87m worth of Environmental Stewardship monitoring activities covered by RDPE technical assistance funding, and provided staff time and expenses costs to carry out in-house monitoring.

The main areas of spend in 2014/15 have been on: marine; terrestrial biodiversity and land management evidence; local record centres, our long-term monitoring network and the project to Monitor Engagement with the Natural Environment. Other areas of spend include land use, access and engagement, making evidence more accessible, reviews of evidence, data management, ecosystems services, economic impacts, climate change, great crested newts, PhDs and producing Geographical Information data.

Funds have been targeted at those areas that are essential to deliver the organisation's strategic outcomes. Most (75%) of this spend has been on monitoring Natural England's sites and interventions and surveillance of the state of our natural environment, but research (19%) has also been funded to tackle specific priority evidence needs.

Payment of trade and other payables

Government has a commitment to pay suppliers within 10 days and we aim to meet this target wherever possible. During 2014/15, 98.8% (99.7% 2013/14) of Natural England's payments to suppliers were made within five working days. Natural England is also subject to the Late Payment of Commercial Debts (Interest) Act 1998, which gives small firms with 50 or less employees a statutory right to interest for the late payment of commercial debts. Natural England incurred no late payment interest during 2014/15.

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 the H M Treasury and the Office of Public Sector Information Guidance.

Personal Data Related Incidents

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

Natural England has established governance structures to ensure that information assets are handled appropriately. These include identifying risk owners; undertaking six-monthly risk assessments and providing training to key staff. Information data handling courses are embedded into induction processes and the staff development framework, and all staff are required to complete the general user 'Responsible for Information' training course annually, while

Information Asset Owners complete specialist training on Civil Service Learning. There were no incidents reported to the Information Commissioners Office.

The reported incidents below comprise mainly of lost mobile phones and blackberries (II) and unauthorised disclosures shown in IV were mainly relating to emails sent to the incorrect recipient or personal data being included in these emails incorrectly. Follow up action has been taken on all of these incidents.

Category	Nature of Incident	Total
1	Loss of inadequately protected electronic equipment, devices or paper document from secured Government premises.	-
2	Loss of inadequately protected electronic equipment, devices or paper document from outside secured Government premises.	18
3	Insecure disposal of inadequately protected electronic equipment, devices or paper documents.	-
4	Unauthorised disclosure	5
5	Other	-

Pensions

Details of Natural England's pension schemes are described in paragraph 1.19.1 of the Accounting Policies and note 4.4.

Auditors

The accounts of Natural England are audited by the Comptroller and Auditor General under the Natural Environment and Rural Communities Act 2006. The audit fee for 2014/15 is £112k (2013/14: £120k). There have been no payments made to auditors for non-audit related work.

Disclosure of audit information to auditors

As Accounting Officer I have taken all appropriate steps to make myself aware of any information which would be relevant to Natural England's auditors. So far as I am aware, there is no relevant information which has not been brought to their attention.

Chief Executive and Chairman

I assumed the post of Natural England's Chief Executive on 1 September 2014. The organisation's previous Chief Executive, David Webster, resigned his post, with effect from 18 July 2014, with Guy Thompson acting as Chief Executive in the interim period. I would like to take the opportunity to thank David Webster for his valuable contribution to the development of Natural England.

Andrew Sells was Chairman for the whole period.

Board Members

There are no significant interests held by any Board members which may conflict with their stewardship responsibilities. Related party disclosures can be seen in Note 20 to the accounts.



James Cross

Accounting Officer and Chief Executive

16 June 2015

Remuneration Report

Appointments

All appointments to the Board are made by 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. More details about our board members can be found on our website: www.gov.uk/government/organisations/natural-england/about/our-governance#natural-england-board

Directors are appointed on merit on the basis of fair and open competition in accordance with the Constitutional Reform and Governance Act 2010. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise. The Chief Executive is employed on a permanent contract which runs to September 2018 and Executive Directors are employed under permanent contracts which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk

Senior staff appointment information and remuneration is reported in the tables below. Two senior staff received exit packages during 2014/15 (nil in 2013/14).

Salary

'Salary' includes gross salary, overtime and any other allowance to the extent that it is subject to UK taxation. The total remuneration, as well as the allowances to which they are entitled, is paid by Natural England and is therefore shown in full in the figures below. Board Members' remuneration is determined by Defra.

Performance related pay

Performance related pay is based on performance levels attained and is payable as part of the appraisal process. Performance related pay paid in 2014/15 relates to performance in 2013/14.

The performance rating for each year is determined following the final quarterly appraisal completed late March/early April. The payment for performance is made as part of the annual pay award which is usually in July. Therefore the performance pay shown in the tables below relate to performance for the previous year.

No Benefits in kind were paid in either 2014/15 or 2013/14.

Cash Equivalent Transfer Values (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not

just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

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

Remuneration policy

Senior staff fall into three groups; the Chief Executive (CEO), Executive Directors and Directors. A Remuneration Committee, led by the Deputy Chair and two other Board members, makes all decisions on senior staff performance related pay. Board Members' remuneration is set by Defra.

Senior staff remuneration is determined by;

- Using the Senior Civil Service (SCS) job evaluation system (JESP) for roles;
- A performance management framework, which assesses performance based on the individuals' contribution against agreed objectives and within Cabinet Office principles.

CEO remuneration, on appointment: prior to advertising the CEO post a business case, setting out the proposed remuneration pack for the role, is submitted to the Defra Permanent Secretary for approval. The case includes:

- details of proposed base salary or salary range (within the allowable range to be approved by the Permanent Secretary);
- any taxable benefits proposed (none);
- proposed performance related pay arrangements (up to £15,000 discretionary non-consolidated performance payments under the terms of any Cabinet Office guidance on performance payments for NDPB Chief Executives)
- proposed Pension Arrangements (this is a pensionable appointment, which is normally via the Civil Service Pension Scheme)

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

Board Members are required to provide one month's notice of their intention to leave. No compensation is payable on departure.

Remuneration (audited information)

The remunerations reported in table 1 are actual expenditure incurred in the year.

Table 1: Natural England non-Executive Board

Board Members	2014/15 Remuneration £000	2013/14 Remuneration £000
Poul Christensen (Chairman) (to 31/12/13)	-	50 - 55
Andrew Sells (Chairman)	55 - 60	10 - 15
David Hill (Deputy Chairman)	15 - 20	15 - 20
William Cockbain	10 - 15	10 - 15
Catherine Graham-Harrison OBE (to 31/12/14)	5 - 10*	10 - 15
Nigel Reader CBE	15 - 20	10 - 15
Joe Horwood	10 - 15	10 - 15
Doug Hulyer (to 31/5/14)	0 - 5*	10 - 15
David Macdonald (to 30/9/14)	5 - 10*	10 - 15
Andy Wilson (to 31/12/14)	5 - 10*	10 - 15
Andy Clements (from 14/7/14)	5 - 10*	-
Simon Lyster (from 14/7/14)	5 - 10*	-
Teresa Dent (from 14/7/14)	5 - 10*	-
Julia Aglionby (from 14/7/14)	5 - 10*	-
John Varley (from 27/3/15)	0 - 5*	-

* Full Year equivalent £10-£15k.

During 2014/15 four Non-Executive Directors left Natural England due to the end of their natural term. Five new Non-Executive Directors have been appointed to replace them.

Poul Christensen's full year equivalent salary upon his retirement on 31 December 2013 was £70-£75k.

Board Members have no entitlement to performance related pay.

Table 2: Natural England Executive Board

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

	2014/15				Total £000	2013/14		
	Salary £000	Performance Related Pay £000	Pension Benefits £000			Salary £000	Pension Benefits £000	Total £000
Chief Executive:								
David Webster (to 18/07/14) Note 1	35 - 40	5 - 10	39	85-90	120-125	6	125 - 130	
James Cross (from 01/09/14) Note 2	80 - 85	-	90	170 - 175	-	-	-	
Executive Directors:								
Jim Smyllie: Strategy (to 31/12/14) Note 3	210 - 215	-	54	265 - 270	85 - 90	9	95 - 100	
Guy Thompson, Local Delivery Note 4	95 - 100	5 - 10	28	135 - 140	95 - 100	22	115 - 120	
Paul Lambert, Corporate Services	85 - 90	-	15	100 - 105	85 - 90	15	100 - 105	
Andrew Wood, Science and Evidence (to 31/01/15) Note 5	130 - 135	5 - 10	28	165 - 170	95 - 100	24	115 - 120	
Alan Law, Strategy (from 1/12/14) Note 6	25 - 30	-	4	30 - 35	-	-	-	
Tim Hill, Science and Evidence (from 1/12/14) Note 7	25 - 30	-	4	30 - 35	-	-	-	

Note 1 David Webster Full Year Salary £120-£125k (seconded to Defra from 18 Jul 2014–15 Feb 2015)

Note 2 James Cross Full Year Salary £135-£140k

Note 3 Jim Smyllie Full Year Salary £95-£100k. Jim took voluntary exit and received a lump sum of £138k

Note 4 Guy Thompson Acting as interim Chief Executive between 19 July and 31 August 2014

Note 5 Andrew Wood Full Year Salary £95-£100k. Andrew took voluntary exit and received a lump sum of £49k

Note 6 Alan Law Full Year Salary £80-£85k

Note 7 Tim Hill Full Year Salary £80-£85k

Performance related pay paid in 2014/15 relates to performance in 2013/14. No performance related pay was paid during 2013/14. No Benefits in kind were paid in either 2013/14 or 2014/15.

In accordance with the requirements of Natural England's Management Statement, the Chief Executive is eligible to receive a non-consolidated performance payment of up to a maximum of 15% of current salary. The Chief Executive's performance objectives are agreed each year by the Non-Executive Board. Organisational performance against objectives is scrutinised at each board meeting.

Executive Directors and Directors can earn up to a maximum of 15% of their current salary as a non-consolidated performance related payment. In previous years the levels of non-consolidated performance payments for Civil Service senior staff were capped by the Cabinet Office. In 2012/13 payments were capped at £12.5k for Executive Directors and £10k for Directors. However, for 2013/14 the caps on individual non-consolidated performance payments were removed. Any payment of £17,500 and above requires Treasury approval.

A Remuneration Committee, set up last year and comprising of the Deputy Chairman and two Board members, makes all decisions on senior people's performance related pay within the parameters set by Senior Civil Service pay principles.

For the pay award made in July 2014, (relating to 2013/14), there were six non-consolidated performance payments paid totaling £60k (i.e. £10k each).

Median Pay

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

Board Members	2014/15	2013/2014 (restated)
Highest Earners total remuneration	£135k - £140k	£120k - £125k
Median total remuneration	£28,143	£28,467
Ratio	4.8	4.2

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

Median pay figures include agency staff and 2013/14 figures have been restated to reflect this.

The highest paid employee is the Chief Executive, James Cross.

Pension Benefits – Chief Executive & Executive Directors

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

Pension Benefits - Chief Executive & Executive Directors	Total accrued pension at age 60 and related lump sum (LS) at 31 March 2015 £000	Real increase in pension and related lump sum (LS) at age 60 £000	CETV at 31 March 2015 £000	CETV at 1 April 2014 £000	Real increase in CETV £000
Chief Executive:					
David Webster	65 - 70	0 - 2.5	1,058	982	28
James Cross	25 - 30	2.5 - 5	313	250	47
Executive Directors:					
Jim Smyllie	25 - 30 Lump Sum 80 - 85	2.5 - 5 Lump Sum 7.5 - 10	628	549	53
Guy Thompson	10 - 15	0 - 2.5	171	144	13
Paul Lambert	20 - 25	0 - 2.5	315	286	10
Andrew Wood	15 - 20	0 - 2.5	367	335	27
Tim Hill	20 - 25 Lump Sum 65 - 70	0 - 2.5 Lump Sum 0 - 2.5	347	341	2
Alan Law	15 - 20 Lump Sum 55-60	0 - 2.5 Lump Sum 0 - 2.5	335	320	2

The actuarial factors used to calculate Cash Equivalent Transfer Values (CETVs) were changed in 2014/15. The CETVs at 31 March 2014 and 31 March 2015 have both been calculated using the new factors for consistency. The CETV for 31 March 2014 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.



James Cross

Accounting Officer and Chief Executive
16 June 2015

Governance Statement

1 Introduction

As the Chief Executive and the Accounting Officer, I have the responsibility for maintaining a robust system of internal controls that support the achievement of Natural England's policies, aims and objectives, whilst safeguarding public funds and assets in accordance with the responsibilities assigned to me in Managing Public Money.

In addition, as Accounting Officer, I must ensure that Natural England complies with the corporate governance code as described in "Principles of Good Governance in Executive NDPB's" which is issued by the Cabinet Office.

This governance statement covers the period 1 April 2014 to 31 March 2015, and provides assurance on how we have carried out our corporate governance, how we have managed significant organisational risk and how we have addressed control issues.

2 Governance Framework

2.1 Board Governance

As a non-departmental public body (NDPB) sponsored by the Department for the Environment, Food and Rural Affairs (Defra, we are led by a non-executive board appointed by the Secretary of State for Defra.

The Board has collective responsibility for the overall performance and success of Natural England. It ensures Natural England carries out its statutory duties; delivers its priorities as agreed with the Secretary of State; is properly and effectively managed and provides stewardship for the public funds entrusted to it. The Board comprises the Chairman and nine other non-executive members appointed on an individual basis and not as representatives of any organisations.

The Board governance arrangements are detailed in the Management Statement and are supported by the Financial Memorandum, which sets out the financial framework within which Natural England is required to operate. The Board meets every month, except August and December, with three to four of these being formal Board meetings held in public. Board meetings can also include site visits. Standard agenda items at Board meetings include the Chief Executive's Report (covering delivery of the Corporate Plan, financial position, compliance, Rural Development Programme for England, Health and Safety and Staff Wellbeing along with other strategic issues) and reports received from its committees.

Our Board receives a high volume of briefing papers, which support its work, and the process of assuring quality Board papers has evolved in response to Board member feedback. Board attendance has been excellent for the year, with six members attending 100% of the time, three attending at least 85% of the time and one attending 60% of the time.

In order that the Organisation benefits from the range of skills offered by Board Members, task and finish groups led by Board members but including senior officers have been established. During the year these included an Uplands Working Group and the Innovation Group.

2.2 Board Committees

The Board has established three main sub-committees for key business areas. All three committees are chaired by a Board member, and include two other Board members:

2.2.1 Audit and Risk Assurance Committee (ARAC)

The ARAC provides challenge, scrutiny, monitoring and advice, to assist the Board in its corporate governance responsibilities and to ensure there is an appropriate control environment through:

- overseeing the strategic processes for risk management and control and governance, together with reviewing the overall compliance with and effectiveness of the internal control framework.
- advising on reviews and evaluating work plans and reports received from internal and external audit.
- providing support in the form of objective advice on the systems of internal control within the organisation.
- providing constructive challenge to the assurances available.

The Chairman of the ARAC participates in regular meetings with the Chairs of the Audit Committees from the Defra Network where a range of risk-related topics are discussed to ensure that Defra and NE have sight of any mutual issues.

The Board receives copies of the ARAC minutes and regular reports on the work of the Committee, including the Annual Report and Accounts, from the ARAC Chairman.

A number of significant items were routinely considered by ARAC during the year, including:

- The Annual Report and Accounts for 2013/14, as audited by the National Audit Office, in which NE received an unqualified opinion.
- A regular review of NE's Risk Management approach, including the change to the risk management arrangements introduced within 2014/15.
- Consideration of the continuing improvements relating to the assurance and governance framework by introducing a Corporate Assurance Map.
- The consideration of a developing assurance and governance framework, including a review of the results of the annual Corporate Governance and Assurance questionnaire.

2.2.2 Natural England Science Advisory Committee (NESAC)

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

NESAC has an important role in challenging and reviewing Natural England's science and evidence by:

- providing advice to the Board on the integrity and relevance of Natural England's overall evidence programme and of prospective research.
- providing a link between the Board, our staff and the wider research community, ensuring that Natural England is kept aware of current and emerging relevant issues in the natural and social sciences, and consequently produces quarterly and annual reports to the Board.

- discussing aspects of our business where science and evidence are at the forefront of our interventions.
- providing scrutiny of our summaries of evidence and challenges to our use and generation of evidence.

Major areas of work considered during the financial year included:

- NESAC provided ongoing advice on Natural England's Science and Evidence Programme.
- NESAC provided advice on Natural England's climate change work.
- NESAC provided advice and challenge on the initial outputs of Natural England's work to develop an updated Conservation Strategy.

2.2.3 Remuneration Committee

The Remuneration Committee is chaired by the Deputy Chair and has a minimum of two other Board members. Both the Director of Organisation Development and I are expected to attend Committee meetings.

The Remuneration Committee's Terms of Reference are to:

- set and review all aspects of the objectives and remuneration of myself, as Chief Executive, including any performance related pay (within government guidelines);
- within government annual limits, consider and approve any performance related pay to Executive Directors, based upon recommendations from the Chief Executive and consider and endorse my decisions on performance related pay for Directors;
- approve the broad salary band (within government guidelines) for Executive Directors and approves the specific remuneration of any Executive Director proposed to be appointed outside of those bands or with any special conditions;
- approve any special payments relating to myself or my Executive Directors; and
- review the annual pay remit for recommendation to the Board prior to submission to Defra.

The Remuneration Committee meets a minimum of twice a year and a report on the Committee's business is provided to the Board.

2.3 Executive Governance

My appointment is the responsibility of the Chair, and I am responsible for appointing the Executive Directors. I have been employed as Natural England's Chief Executive and Accounting Officer since 1 September 2014, following the departure of the previous Chief Executive, Dave Webster in July 2014, with the interim period overseen by Guy Thompson as interim Chief Executive.

During 2014/15, we continued to implement the Area-focused operations that were agreed as part of our organisational restructure project, 'NE Refresh'. A team of Executive Directors and myself, advised the Board on the strategic direction for Natural England ensuring it is delivered through the Corporate Plan. This group, along with our Directors and Area Managers, provides leadership to the organisation in setting plans, reviewing performance and ensuring that resources are allocated effectively.

The Executive Directors, Directors and Area Managers operate as an effective leadership team, integrating delivery across the organisation, through three formal executive groups:

- **Issues Group:** This group, comprising Chief Executive, Executive Directors and relevant Directors, met twice monthly and focused on issues such as current legal and reputational issues; change programme implementation; health and safety; and notifications and designation decisions. Membership is for standing items.
- **Strategy Group:** This group met twice monthly and was attended by the Chief Executive, Executive Directors and individuals from the leadership team as appropriate. The group focused on the medium and long term strategic direction; medium-term financial planning; estates strategy; workforce strategy; designation pipeline; conservation strategy; board agenda and papers; and strategic risk management.
- **Performance and Resource Group:** This involved the whole leadership team and met monthly, focusing on managing in-year delivery of the corporate plan; addressing KPI delivery and associated risk and issues; in-year financial management; and resource allocations. It also took ownership of the operational risk and issues register.

2.4 Internal Audit

Natural England's internal audit service and Head of Internal Audit (HIA) operated for the period 1 April 2014 to 31 December 2014, with additional internal audit work supplied by KPMG. Since 1 January 2015, IA provision has been undertaken exclusively by KPMG, including the role of HIA.

The HIA provides an annual opinion, based on a range of reviews, of Natural England's systems of internal control, with reference to governance, control and risk management. For 2014-15, the HIA assessed the overall control environment as having a 'moderate' level of assurance that Natural England is operating effectively.

3 Board and Executive Performance

The Board assesses its own performance annually against the governance framework through a self-assessment questionnaire developed with the NAO and based on six core principles of good governance. The Board effectiveness exercise conducted in May 2014 concluded that the Board was effective in its operation.

The ARAC conducted an assessment of its own effectiveness, reviewing the five main principles of good practice in a workshop facilitated by the National Audit Office March 2015. The conclusion of the members of the ARAC was that these principles were being met effectively.

A new Chair of NESAC was appointed during the year and initiated a discussion of NESAC's future development. NESAC works closely with specific working groups and staff, as well as developing a role supporting Natural England's Chair and Chief Executive in an external facing capacity.

Natural England's chairman and I both have a twice-yearly performance review with the Secretary of State, where the performance of Natural England is discussed against its KPIs. The Chairman also has his own personal performance appraisal. Board members have individual performance assessments. We present a performance report and forward look to the Defra Supervisory Board, which is chaired by the Secretary of State and provides collective strategic and corporate leadership to Defra. During the year, we received no Ministerial Directions.

Our Strategic Direction outlines our vision for how Natural England will help to bring about a natural environment which is healthy, properly functioning and resilient as well as being recognised as the foundation for sustainable economic growth, prospering communities and personal wellbeing. Natural England, on behalf of Government, will continue to protect landscapes, biodiversity and geodiversity, delivering our statutory remit as established by Parliament. We continue to adapt to the demands of the government's growth agenda, and to collaborate with the Environment Agency, and other bodies in the Defra network.

Partnership working will continue to be a key part of the way we work. Our local delivery model, allows more decisions to be taken at a local level, whilst strengthening our relationships with local partners and communities. Support from business and industry will continue to be important and we have taken every opportunity to improve the way we work with those businesses on whom the country relies to support economic recovery – in particular by simplifying our regulatory processes, adhering to the Regulators' Compliance Code, and offering support to developers to help them comply with environmental legislation. Natural England complies with the good practice requirements of the Corporate Governance Code, which apply to NDPBs.

4 Internal Control

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

This year we have begun the development of a Corporate Assurance Map (CAM) to track the various assurances received by ourselves, both internally and externally. A fundamental element of our CAM is the annual internal Corporate Governance Assurance questionnaire which is completed by all teams within Natural England, they are required to make an evidence-based assessment of the adequacy of the control framework that has been in place throughout the period, highlighting any areas of weakness and identifying improvement action plans. The results from these statements form part of the review of compliance by the ARAC and myself as Accounting Officer. The overall results of Corporate Governance Assurance Questionnaire indicate that the control framework is strong, 93% of responses indicate a substantial or moderate opinion as to the effectiveness of various controls.

In October 2014, NE's Estates, Procurement and Systems Knowledge and Information teams moved to the newly-formed DEFRA directorate named Network Corporate Services. For the six months prior to this time we have established that the effectiveness of controls met a substantial level of assurance. Since then, the service provided to Natural England has been monitored and evaluated by an Intelligent Customer Function (ICF). We have also been provided with assurance from Defra Internal Audit on the effectiveness of the performance of procurement and IT for 2014-15.

Transactional and processing services for Finance, Human Resources and Payroll are received from Shared Services Connected Limited (SSCL), our shared service provider. Service standards are set out in a Framework Agreement and Call Off contract, with a series of supporting key performance indicators. Performance against the KPIs is in line with or exceeds the targets established. Grant Thornton, also reviewed the control assurance framework of SSCL for 2014/15, and provided a 'reasonable' level of assurance that the control environment is operating effectively.

Natural England does not own, but feeds into a number of Defra's business critical models, such as the Internal Funding Model for the RDPE. These models are used for critical decision making and are defined by the 'Review of quality assurance of Government analytical models report', produced by Treasury. We have appropriate management arrangements in place to assure the quality of the information we supply to Defra for these models.

Natural England is an organisation which strives for continuous improvement and initiates reviews where performance has fallen short of expected standards, allowing us to learn lessons and ensure that the resulting specific actions and recommendations are systematically followed up. Completion of actions from key issues is reported to management, to the ARAC and to the Board as appropriate.

5 Assessment of Risk Management

5.1 Risk Management Framework

The Risk Control Framework seeks to embed risk management within business processes. The following controls have been established to assist in the effective monitoring and controlling of risks against the target risk levels set for Natural England:

- A strategic risk register, capturing the key risks that may impact upon our ability to deliver Natural England's statutory purpose and, more specifically, its Strategic Direction.
- The Audit and Risk Assurance Committee (ARAC) receives quarterly reports on how we are managing the strategic risks and identifies new risks for consideration by the Leadership Team.
- An operational risk register, which captures the key risks and issues that may impact on our ability to deliver Natural England's current Corporate Plan and is linked to our performance reporting framework. This is maintained by individual risk owners and managers and is reviewed monthly by the Performance and Resources Group.
- We inform Defra of identified risks through a quarterly report to the Defra Board, which sets out the top strategic and operational risks.
- A register of case / place-based risks – maintained in the main by Area Teams and reviewed monthly by the Natural England Issues Group.
- A risk and issues management standard that defines a consistent approach to risk management is embedded across the organisation.

5.2 Organisational Risk Profile

A fundamental review of the strategic risk register was undertaken for consideration at the December 2014 ARAC meeting. Operational risks are managed throughout the organisation by relevant teams with oversight from the executive officers.

During 2014/15 the following strategic risks were identified:

- Funding levels
- Workforce Planning
- Stakeholder views
- Perceived conflicts relating to economic growth
- Customer expectations

5.3 Effectiveness of risk management

We continue to follow a consistent approach to risk management across the organisation as set out in our risk and issues management standard.

The Risk Management Assessment Framework (RMAF) is reviewed and agreed by ARAC. The year-on-year scores indicate strong performance and the trend confirms a broad improvement across the seven-year period. Both the standard and the RMAF are reviewed annually.

5.4 Significant risks and actions

The main risks and concerns identified and managed through the mechanisms described are:

Risk	Actions
CAP Reform	
Transition to the new Rural Development Programme, and a more targeted approach to the use of agri-environment measures, may undermine long-term confidence and willingness to participate in Countryside Stewardship and on its ability to deliver the required environmental policy outcomes.	We continue to provide clear, early messaging on scope and ambition for the scheme to maintain desired levels of interest and work with local partners/stakeholders to generate applications that meet the scheme priorities.
	We are also developing an approach to minimise the risk of existing high priority Environmental Stewardship agreement holders not continuing into the new scheme.
	The main focus of the year has been our close working with Defra and CAP-D to ready ourselves and our customers for the implementation of new schemes.
CAP Delivery Programme	
The CAP Delivery Programme exists to provide the IT systems to deliver the new Rural Development Programme for England. There are a number of risks associated with the Programme which include reputational and delivery risks should the system not meet customer expectations, be delivered to time or support legacy	We remain closely involved in the Defra programme with a number of staff seconded to CAPD. The ARAC has had two drill-down sessions during the year with the Chair of the ARAC involved in regular meetings of the Audit and Risk Committee Co-Ordinating Group on CAP-D.
	We continue to monitor and plan for programme changes that impact on Natural England, such as the recent decision to revert to paper-based applications in 2015.

scheme payments.	We have been giving serious consideration to contingency plans to mitigate the impacts of several high-level challenges to the programme, such as the retention of current IT systems to support administration of payments under the expired programme.
Blocker to economic growth	
As a result of a number of high profile and contentious cases, it could be perceived that Natural England is a hindrance/block to economic growth with the associated impacts on our reputation, risk of litigation and our ability to deliver environmental outcomes.	We have merged our regulatory and advisory roles into a single Sustainable Development team to ensure greater join up and consistency, working alongside locally-responsive and accountable Area Teams. We continue to reduce the regulatory burden on our customers through streamlining our requirements for, and processes to obtain, wildlife licences.
	We are working closely with Defra's Better Regulation unit and other government departments, notably the Department for Communities and Local Government, and work closely with customer and developer industry panels.
Increased volumes of customer-driven work	
As a result of the improving economic outlook we have seen an increase in the volume of customer-driven work for planning and licensing, resulting in failures in service delivery and growing case backlogs.	We have instigated appropriate prioritisation procedures to ensure key cases, especially large housing developments, are addressed.
	We have recruited additional staff to help us manage the spikes in workload. In the medium term we will issue further class and organisational licences to reduce the volume of individual applications.
Health, safety and wellbeing	
Following a health surveillance programme, we were required to report ten cases of Hand Arm Vibration Syndrome (HAVS) / Carpel Tunnel Syndrome (CTS) to the Health and Safety Executive (HSE), which triggered an investigation, resulting in a number of recommended actions.	We submitted a detailed action plan to the HSE in October 2014.
	Consultants have undertaken site specific noise, vibration and ergonomic assessments on five National Nature Reserve sites and the project working group is driving forward the additional items from the action plan to ensure these are implemented.

Workforce planning

A specific risk relates to the loss of scientific/technical staff, which could take us below critical mass in key disciplines or in specific geographies and damage long-term reputation and credibility.

During 2014 a refreshed Workforce Strategy was published, setting out how we will develop and deploy our people over the medium term. This will ensure we are best placed to deliver our existing priorities and respond rapidly and positively to new and changing priorities.

Over the coming year, we will continue to take steps to address the above matters to further enhance our governance arrangements.

Conclusion

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



James Cross

Accounting Officer and Chief Executive
16 June 2015

Statement of Accounting Officer's responsibilities

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

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

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

- Observe the Accounts Direction issued by the Secretary of State for Defra, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis.
- Make judgments and estimates on a reasonable basis.
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the financial statements.
- Prepare the financial statements on a going concern basis.

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

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

I certify that I have audited the financial statements of Natural England for the year ended 31 March 2015 under the Natural Environment and Rural Communities Act 2006. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and Auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Natural England's affairs as at 31 March 2015 and of the net expenditure for the year then ended; and

- the financial statements have been properly prepared in accordance with the Natural Environment and Rural Communities Act 2006 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Natural Environment and Rural Communities Act 2006; and
- the information given in the Strategic Report and the Director's Report, Annex 1 and Annex 2 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

30 June 2015

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

Statement of Comprehensive Net Expenditure for the period ended 31 March 2015

	Note	2014/15 £000	2013/14 Reclassified £000
Expenditure			
Staff costs	4.1	82,284	92,528
Depreciation & Amortisation	5	3,548	3,210
Programme & Grant expenditure	5	59,728	60,628
Other expenditure	5	48,793	41,629
Total Expenditure		194,353	197,995
Income			
Income from activities	6	(12,588)	(8,157)
Other income	6	(1,423)	(1,653)
Total Income		(14,011)	(9,810)
Net Expenditure		180,342	188,185
Interest receivable		(1)	(1)
Net Expenditure after interest		180,341	188,184

Other Comprehensive Expenditure

Net (gain) on revaluation of Property Plant and Equipment	7.1a & 7.1b	(526)	(814)
Net loss / (gain) on revaluation of heritage assets	8	(2,738)	(11,119)
Net loss / (gain) on revaluation of Agricultural Biological Assets		-	6
Net (gain) loss on pensions provision		22	31
Total Comprehensive Net Expenditure		177,099	176,288

2013/14 figures have been reclassified in order to better align programme and grant expenditure to management accounts.

The accounting policies and notes on pages 43-70 form part of these financial statements.

Statement of Financial Position as at 31 March 2015

	Notes	31 Mar 2015 £000	31 Mar 2014 £000
Non-current assets:			
Property, plant and equipment	7.1	17,482	18,690
Intangible assets	7.2	5,453	7,355
Heritage assets	8	75,206	73,239
Agricultural biological assets		172	165
Total non-current assets		98,313	99,449
Current assets:			
Inventories		108	90
Trade and other receivables	10	6,867	1,550
Cash and cash equivalents	11	10,829	21,176
Total current assets		17,804	22,816
Total assets		116,117	122,265
Current liabilities:			
Trade and other payables	12.1	(28,840)	(39,878)
Pension Provision		(15)	(14)
Other provisions		(1,550)	(377)
Total current liabilities		(30,405)	(40,269)
Total assets less current liabilities		85,712	81,996
Non-current liabilities:			
Other Provisions	13	(2,152)	(418)
Pension Provision	13	(296)	(278)
Other payables	12.2	(3,187)	(3,623)
Total non-current liabilities		(5,635)	(4,319)
Assets less liabilities		80,077	77,677
Taxpayers Equity			
General Fund		11,014	11,721
Revaluation Reserve		69,063	65,956
		80,077	77,677



James Cross

Accounting Officer and Chief Executive
16 June 2015

Statement of Cash Flows for the year ended 31 March 2015

	Notes	2014/15 £000	2013/14 £000
Cash flows from operating activities			
Net expenditure		(180,341)	(188,184)
Adjustment for non-cash items			
Depreciation & amortisation (current year)	7.1a & 7.2a	3,588	3,210
Adjustment to prior year depreciation		(40)	-
Impairment	5	5,358	39
Service concession asset adjustment		(35)	210
(Surplus)/ loss on disposal of assets net of Proceeds	5	618	826
Write backs net of provisions provided for in year	13.2	3,105	(1,134)
Exchange loss / (gain)		32	(11)
(Increase) / Decrease in trade and other receivables	10	(5,317)	3,022
Decrease/(Increase) in inventories		(18)	6
(Decrease) / Increase in trade payables		(11,046)	(14,399)
Use of provisions		(179)	(930)
Net cash outflow from operating activities		(184,275)	(197,345)
Cash flows from investing activities			
Purchase of property, plant and equipment	7.1	(698)	(1,025)
Purchase of intangible assets	7.2	-	(3,448)
Purchase of non-current heritage assets	8	(4,544)	(548)
Purchase of agricultural biological assets		(28)	(36)
(Decrease) in non-current payables	13.2	(436)	(685)
Proceeds of disposal of property, plant and equipment		76	69
Net cash outflow from investing activities		(5,630)	(5,673)
Net financing			
Interest		1	1
Grants from Defra		179,557	191,965
Net financing		(10,347)	(11,052)
Net (decrease) in cash and cash equivalents in the period	11	(10,347)	(11,052)
Cash and cash equivalents at the beginning of the period	11	21,176	32,228
Cash and cash equivalents at the end of the period	11	10,829	21,176

The 2013-14 movement in purchases of PPE includes prior year asset additions of £65k
The accounting policies and notes on pages 43-70 form part of these financial statements.

Statement of Changes in Taxpayers' Equity for the period ending 31 March 2015

	Notes	Revaluation Reserve £000	General Reserve £000	Total Reserves £000
Balance at 31 March 2014		65,956	11,721	77,677
Core Grant in Aid from Defra	SoCF	-	154,890	154,890
Catchment Sensitive Farming Grant from Defra	SoCF	-	5,258	5,258
Water Framework Directive from Defra	SoCF	-	2,170	2,170
Biodiversity work Grant from Defra	SoCF	-	2,497	2,497
Bolton Fell Moss Grant from Defra	SoCF	-	14,173	14,173
Other Defra Income	SoCF	-	568	568
Transfers between reserves		(78)	78	-
Comprehensive Net Expenditure for the year	SoCNE	-	(180,341)	(180,341)
In year asset revaluations	7.1a & 8	3,264	-	3,264
Adjustment to revaluation reserve		(79)	-	(79)
Balance at 31 March 2015		69,063	11,014	80,077

SoCF=Statement of Cash Flows, SoCNE = Statement of Comprehensive Net Expenditure

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2014

	Notes	Capital Reserve* £000	Revaluation Reserve £000	General Reserve £000	Total Reserves £000
Balance at 31 March 2013		32,269	54,632	(24,563)	62,338
Core Grant in Aid from Defra	SoCF	-	-	181,992	181,992
Catchment Sensitive Farming Grant from Defra	SoCF	-	-	5,843	5,843
Water Framework Directive from Defra	SoCF	-	-	3,170	3,170
Bolton Fell Moss Grant from Defra	SoCF	-	-	864	864
Other Defra Grants	SoCF	-	-	96	96
Transfers between reserves		(32,269)	(605)	32,874	-
Comprehensive Net Expenditure for the year	SoCNE	-	-	(188,184)	(188,184)
Transfer of bequests fund to Deferred Income		-	-	(371)	(371)
In year asset revaluations		-	11,933	-	11,933
Adjustment to revaluation reserve		-	(4)	-	(4)
Balance at 31 March 2014		-	65,956	11,721	77,677

Capital reserve was transferred into the General reserve at the end of 2013/14.

Notes to the Financial Statements

1 Statement of accounting policies

Basis of accounting

These Financial Statements have been prepared in accordance with the 2014/15 *Government Financial Reporting Manual* (FRM) issued by H M Treasury and the accounts direction issued by the Secretary of State for Defra, in accordance with Schedule 1, Sections 23 and 24 of the Natural Environment and Rural Communities Act 2006. The accounting policies contained in the FRM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

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

1.1 Significant judgments and estimation uncertainty

Natural England has used estimations for the following two accounting entries, as described below:

1.1.1 Indexation of Non-Current Assets & Heritage Assets

Between professional quinquennial revaluations, all freehold Land and Building and Heritage Assets are updated annually where material using indices as stated in notes 1.3.1 & 1.7.1. Depreciation of these assets is spread across the deemed useful economic life, which also requires the use of judgement.

1.1.2 Employee Benefit Accrual

Natural England accounts for unused annual leave based on actual figures as at 31 December 2014 (for the 12 month leave period 1 January 2014 to 31 December 2014), and uses this as a proxy for unused annual leave as at 31 March 2015 in accordance with IAS 19 'employee benefits'. This is included as an accrual and the movement in year is recognised as an expense within staff member costs at the reporting date.

1.2 Accounting Convention

These accounts have been prepared on a going concern basis under the historical cost convention, modified to account for the revaluation of property, plant and equipment and inventories.

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

1.3.1 Recognition and valuation

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

Land and buildings are reported in the Statement of Financial Position at fair value, stated at market value. Operational heritage land and PPE land and buildings are revalued every five years by external valuers. The last valuation was in 2010/11 by The Valuation Office. Non-operational Heritage land is revalued every five years by our internal valuers.

In between valuations values are updated annually using indices issued by the Royal Institute of Chartered Surveyors (RICS). The buildings will be periodically valued every five years by an external valuer. In between valuations the buildings and leasehold improvement values are updated annually using indices issued by the Department of Business, Innovation & Skills (BIS).

Natural England has set a capitalisation threshold of £5k for assets with the exception of land which is fully capitalised regardless of cost. Individual items with a cost below this threshold are charged directly to the Statement of Comprehensive Net Expenditure.

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

Each component of an asset with a value deemed material to the total fair value of the asset and with a materially different useful life is capitalised and depreciated separately. All other assets are carried at fair value at depreciated historical cost.

1.3.2 Service Concession Arrangements (IFRIC12)

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

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

1.4 Depreciation

Depreciation is provided on all non-current property, plant and equipment assets other than land. The rates applied are calculated to write off the cost or valuation of each asset on a straight line

basis over its 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 15 years
▪ Vehicles	10 years

Depreciation is not charged on assets under construction until they are brought into service.

1.5 Intangible Non-Current Assets and Amortisation

Natural England holds various software licences, which were capitalised at purchase cost where this was in excess of capitalisation thresholds. Such assets are revalued only where it is possible to obtain a reliable estimate of their market value.

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

1.6 Research and Development

All of our development and research expenditure is written off in the year to the Statement of Comprehensive Net Expenditure. There were no capital research projects in progress as at the yearend.

1.7 Heritage assets

'Heritage Assets' are recognised in accordance with FRS30. A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

National Nature Reserves (NNRs) are defined as land that is held in support of our strategic outcome to support a healthy natural environment and continue to ensure that our rich biodiversity thrives across the landscape, with ecosystems and habitats resilient to climate change. Although NNRs are open to the public for quiet recreation, they are held principally for their contribution to knowledge and culture. Our NNRs meet the criteria for heritage assets. Heritage assets can be operational or non-operational. Non-operational heritage assets are those held primarily for their contribution to knowledge and culture and are not held for operational purposes, the main example being the NNR land. Operational heritage assets are those which as well as being held for their contribution to knowledge and culture are also used to provide other services. Natural England has one operational heritage asset – Parsonage Down Farm.

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

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

Further details around the ownership and management of our NNRs are shown in the Strategic Report.

1.7.1 Valuation

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

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

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

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

1.7.2 Acquisitions

Acquisitions are made by purchase or donation. Purchases are initially recorded at cost and donations are recorded at current value ascertained by Natural England's internal valuers with reference, where possible, to commercial market prices. The receipt of donations of Heritage Assets are recognised as income and taken through the SOCNE where there are no conditions relating to the operating activities.

1.8 Impairment

Natural England reviews its assets annually to identify those where the recoverable amount falls below the carrying amount. The treatment of any impairment losses is dependent on whether they are a result of:

- consumption of economic benefit or reduction in service potential - if this is the case the loss is taken to the SOCNE.
- a change in market value – in this case the fall in value will first be offset against the accumulated balance in the revaluation reserve (if any), and once that element of the reserve is exhausted the remainder of the fall in value will be taken to the SOCNE.

1.9 Financial Instruments

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

1.9.1 Financial Assets and liabilities

Natural England classifies loans, receivables and assets available for sale as financial assets. Financial liabilities are any contractual obligations to deliver cash or financial assets to a third party. Management determines the classification of financial assets and liabilities at the time that they are initially identified. Natural England assesses at each Statement of Financial position date whether there is objective evidence that financial assets are impaired since the initial recognition of the asset and prior to the Statement of Financial Position date. It also considers whether there is an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

1.9.2 Available Financial Assets for Sale

Available for sale financial assets are non-derivative financial assets that are designated as available for sale. They are initially measured at fair value and subsequently re-measured to fair value at each Statement of Financial Position date. Any increase due to the changes is recognised in reserves.

1.9.3 Financial Liabilities

These comprise trade and other payables and financial liabilities and are initially recognised at fair value. They are re-measured to fair value at each Statement of Financial Position date. Any required changes in value are reflected in reserves as appropriate.

1.9.4 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Loans and receivable are initially recognised at fair value and subsequently held at amortised cost using the effective interest method. Fair value is usually the original invoiced amount.

1.9.5 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 9 and by making formal agreements with partners as to how shortfalls or surpluses will be covered. Liquidity risk is managed through the management of GiA funding in accordance with the Financial Memorandum.

1.10 Taxation

Natural England is a body corporate. Should any investment income be earned or trading profits received we would be liable to Corporation Tax. During 2014/15 there was no liability for Corporation Tax.

1.11 Value added Taxation (VAT)

Most of the activities of Natural England are outside the scope of VAT. In general output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged, or input tax is recoverable, the amounts are stated net of VAT. As Natural England makes exempt supplies for VAT it has partially-exempt status. Natural England uses an agreed formula to enable the quarterly calculation of the amount of reclaimable input tax.

1.12 Grant in Aid (GiA)

Grant in Aid receipts, both capital and revenue, are treated as financing received from a controlling party giving rise to a residual financial interest. The receipts are treated as financing transactions and credited directly to the general reserve.

1.13 Grants Receivable

Natural England receives grant funding from the European Union, the Rural Payments Agency and the Forestry Commission. These are credited straight to the Statement of Comprehensive Net Expenditure Account. If grants have conditions attached to them and are for funding in future years, they are held as deferred income.

1.14 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 upon the crystallisation of the obligation to pay the grant. The offer of a grant payment is usually tied to a specific year of account and it is solely at the discretion of Natural England whether an unclaimed grant is carried into the next financial year. Offers of grants contributing towards the ongoing employment of staff may be made on a diminishing basis over a three or four year period.

1.15 Income

Operating income relates directly to the operating activities of Natural England. Income is recognised in accordance with IAS18 and net of VAT, and includes National Lottery grants, contributions from conservation partners, accrued and deferred income, and income from National Nature Reserves.

1.16 Cash and Cash Equivalents

Natural England uses the Government Banking Service (GBS – see note 11 for further information) for all its accounts and manages them in accordance with H M Treasury's Banking Stewardship Guidance. Cash and cash equivalents include cash in hand and deposits with any qualifying financial institution, repayable on demand or maturing within three months of the date of acquisition and which are subject to an insignificant risk of change in value.

1.17 Short Term Investments

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

1.18 Treatment of Foreign Exchange Differences

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

1.19 Employee Benefits

1.19.1 Pension Arrangements

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), full details of which can be found in note 4.4 and the Remuneration Report. Although the PCSPS is a defined benefit scheme, those covered by the scheme recognise the cost of the elements on a systematic and rational basis over the period during which it benefits from employees' services, by payment to the PCSPS of amounts calculated on an accruing basis.

Liability for payment of future benefits is a charge on the PCSPS. From 2006 to 31 December 2013 the Chair was entitled to a pension scheme but was prohibited from joining the PCSPS. Individual schemes were set up, described as "by analogy" to the PCSPS. Any ongoing liability arising from this arrangement is borne by Natural England. The liabilities arising under this arrangement have been accounted for and disclosed in accordance with IAS 19 "Employee Benefits". This entitlement ceased for any new appointees with effect from 1 January 2014

1.19.2 Early Departure Costs

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

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

1.19.3 Other Employee Benefits

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

1.20 Leases

A finance lease is one which transfers substantially all the risks and rewards of ownership to the lessee. If a leasing arrangement is in force for a substantial period of the useful expected life of the asset, then the lessee is assumed to carry all of the risk. An operating lease is a lease other than a finance lease. The determination of whether an arrangement is, or contains, a lease is based on the substance of that arrangement. This assessment is based on whether the arrangement is dependent on the use of a specific asset and conveys the right to use the asset. Natural England evaluates contractual arrangements in accordance with the above criteria as laid down in IAS 17.

Operating leases and the rentals thereon are charged to the Statement of Comprehensive Net expenditure on a straight-line basis over the term of the lease. Where Natural England occupies a property that is leased by Defra, there is a future commitment that is consistent with arrangements containing a lease as defined by IFRIC 4.

Natural England has an imputed finance lease commitment. See notes 7 and 14.3 for details relating to the IBM Right of Use Service Concession Arrangement, defined in IFRIC 12.

1.21 Provisions

In accordance with IAS 37, 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.

1.22 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, Natural England discloses possible obligations arising from past events where the outcome is based on uncertain future events. Similarly disclosure is made where it has a present obligation that is not probable or cannot be measured reliably.

2 Impending Application of Newly Issued Accounting Standards Not Yet Effective

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

- IFRS 13 Fair Value Measurement, to be adopted from 1 April 2015 – early adoption before the implementation date is not permitted, in accordance with the FReM. This standard is not expected to have a significant impact on Natural England's accounts.

3 Analysis of Net Expenditure by Segment

In accordance with IFRS 8 “Operating Segments” Natural England is required to report financial and descriptive information about its operating segments. These are components about which separate financial information is available. Generally, financial information is required to be reported on the same basis as is used internally.

Natural England’s Executive Board and Performance, Risk and Resource Group, comprising senior managers, evaluate performance regularly at and below operating segments, whilst deciding how to allocate resources and monitor outcomes. Each of these operating segments aligns to teams managed either nationally, by an Executive Director of the Board, or locally by Local Area Managers. Prior to 2014/15, local area issues were incorporated into national teams, but from 1 April 2014, Natural England refreshed its operating segments in order to create a more flexible and resilient organisation in which National and Area Teams felt confident to develop new approaches and to make pragmatic decisions. This move was to develop greater local understanding and allow even more effective use of partnerships.

- Strategy, including:
 - Executive Office
 - Landscape and Geodiversity
 - Sustainable Development
- Science & Evidence, including:
 - Conservation Strategy & Innovation
 - Evidence
 - Marine Programme
- Local Delivery, including:
 - Access and Engagement, including National Nature Reserves.
 - Biodiversity Delivery
 - Performance and Resources
- Area Teams:

There are 14 Area Teams, working with customers and partners to deliver our Strategic Direction at local level.
- Corporate Services, including:
 - Finance, Assurance & Compliance
 - Organisation Development (including Health and Safety)
 - Management of Defra Recharges for IT Costs, Estates and Procurement

3.1 Statement of Comprehensive Net Expenditure for the year ended 31 March 2015 by operating segment

	Operating Segment 2014/15						Total £000
	Strategy £000	Science & Evidence £000	Local Delivery £000	Area Teams £000	Corporate Services		
					Internal £000	Defra Recharges £000	
Staff Costs	9,926	8,462	22,282	35,246	6,368	-	82,284
Non pay running & other operating costs	1,013	852	1,934	2,412	3,710	-	9,921
Genesis	-	-	-	-	-	21,122	21,122
IBM IT Contract	-	-	-	-	-	20,991	20,991
Estates, SSCL Shared Services & Network Corporate Services	-	-	-	-	-	12,501	12,501
Programme & Grant expenditure	1,963	5,404	13,933	17,100	228	-	38,628
Depreciation & Amortisation	-	-	-	-	3,163	385	3,548
Impairment	-	-	-	-	5,358	-	5,358
Total Expenditure	12,902	14,718	38,149	54,758	18,827	54,999	194,353
Income	(1,080)	(109)	(2,768)	(1,037)	(9,018)	-	(14,012)
Net Expenditure	11,822	14,609	35,381	53,721	9,809	54,999	180,341

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

3.2 Statement of Comprehensive Net Expenditure for the year ended 31 March 2014 by operating segment

	Operating Segment 2013/14					Total £000
	People, Landscape & Biodiversity £000	Customers & Land Management £000	Science, Evidence & Advice £000	Corporate Services		
				Internal £000	Defra Recharges £000	
Staff Costs	19,135	39,198	21,871	12,324	-	92,528
Non pay running & other operating costs	1,665	2,704	2,294	5,542	-	12,205
Genesis	-	-	-	-	21,827	21,827
IBM IT Contract	-	-	-	-	21,612	21,612
Estates & SSCL Shared Services	-	-	-	-	9,677	9,677
Programme & Grant expenditure	20,321	4,553	10,250	1,773	-	36,897
Depreciation & Amortisation	-	-	-	2,803	407	3,210
Impairment	-	-	-	39	-	39
Total Expenditure	41,121	46,455	34,415	22,481	53,523	197,995
Income	(7,749)	(421)	(1,228)	(413)	-	(9,811)
Net Expenditure	33,372	46,034	33,187	22,068	53,523	188,184

The 2013/14 segmental reporting is shown for information purposes, though it is not possible to compare results by using the same segments for the two year period.

4.1 Staff costs

	2014/15 £000	2013/14 £000
Permanent & Fixed Term Appointments salaries and allowances	61,885	66,510
Employer Superannuation Payment	11,496	12,411
Partnership Pension Contributions	99	112
Permanent & Fixed Term Appointments social security costs	4,679	5,127
Agency and temporary staff	4,956	4,475
Inward secondees	145	100
Temporary staff social security	57	74
Temporary staff superannuation	137	144
Other staff costs	280	323
Less recoveries in respect of outward secondments	(1,724)	(1,193)
Early retirement and severance costs (Note 4.3)	274	4,445
Total net costs	82,284	92,528

The early retirement and severance costs include the costs of the staff that have exited in and also include some additional costs above those accounted for in 2013/14 for staff who left as part of the 2013/14 exit package.

Please refer to Remuneration Report starting on page 21 for Senior Staff and Board Member pay and benefits.

4.2 Staff numbers (full-time equivalent)

	2014/15 No.	2013/14 No.
The average number of whole-time equivalent persons employed during the year was as follows:		
Permanent staff & Fixed Term Appointments		
Executive/Director	21	22
Manager/Principal Specialist/Adviser	176	192
Team Leader/Senior Specialist/Adviser	486	525
Group Coordinator/Lead Adviser/Specialist	786	849
Adviser/Support Adviser	519	583
	1,988	2,171
Temporary and contract staff		
Executive/Director	-	-
Manager/Principal Specialist/Adviser	1	-
Team Leader/Senior Specialist/Adviser	6	1
Group Coordinator/Lead Adviser/Specialist	17	14
Adviser/Support Adviser	229	186
	253	201
Total	2,241	2,372

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

Exit package cost band	Total number of exit packages by cost band	
	2014/15	2013/14 restated*
<£10,000	-	5
£10,000 - £25,000	-	43
£25,000 - £50,000	1	34
£50,000 - £100,000	-	20
£100,000 - £150,000	1	2
£150,000 - £200,000	-	-
Total number of exit packages by type	2	104
Total resource cost (£000)	187	3,556

The 2013/14 figures have been amended to reflect the actual packages paid.

In order to meet our reduced future funding we ran an approved Voluntary Exit Scheme during 2013/14. Staff and unions were fully consulted, through open and honest communications. In 2014/15 we had additional approval for voluntary exit.

There were no compulsory redundancies in year. Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full when official notice has been served. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

4.4 Pension commitments

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. Natural England is unable to identify its share of the underlying assets and liabilities because it is part of a larger civil service scheme. The scheme actuary valued the scheme as at 31 March 2012. The Government announced, at Spending Review 2010, its intention to increase employee pension contributions for public servants other than members of the Armed Forces, by an average of 3.2%, and to phase these additional contributions in over a three year period starting from April 2012.

Following an amendment in March 2012, the PCSPS rules were further amended in March 2013 and March 2014 to provide for scheme members to pay extra contributions from 1 April 2013 and 1 April 2014 respectively, with the contribution rate for individuals dependent on their full-time equivalent annual pensionable earnings.

Further details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

As at 31 March 2015, employer's contributions of £11.6m were payable to the PCSPS (2013/14 £12.4m) at one of four rates in the range 16.7% - 24.3% of pensionable pay, based on salary bands. The Scheme Actuary usually reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of benefits accruing during 2014/15 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £99k were paid to one or more of the panel of three appointed stakeholder pension providers (2013/14 £112k). Please note that Prudential/TUC scheme closed to new members in 2014/15. Employee contributions are age-related and range from 3% - 12.5% of pensionable pay. The Employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable pay. In addition, employers also contribute a further 0.8% of pensionable pay to the PCSPS, to cover the cost of the future provision lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the Statement of Financial Position date were £6k (2013/14 £11k).

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, Natural England staff may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Staff joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related, ranging between 1.5% - 6.85% of pensionable earnings for classic and 3.5% and 8.85% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on pensionable earnings during the period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution 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 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% pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

A new career average pension scheme will be introduced from 1 April 2015 called "Alpha" with the majority of classic, premium, classic plus and nuvos members transferring to this new scheme. Further details about the Civil Service Pension arrangements can be found at the website:

www.civilservicepensionscheme.org.uk

5 Expenditure

	Notes	2014/15 £000	2013/14 Reclassified £000
Programme Expenditure		16,693	16,144
Legal Expenditure (includes compensation payment)		10,267	2,493
Programme expenditure – Research & Development		4,426	5,084
Programme expenditure – Other Operating lease rentals		697	796
Grant Expenditure		6,523	14,256
Genesis system		21,122	21,855
Subtotal – Programme & Grant expenditure		59,728	60,628
IBM IT contract recharges		20,991	21,612
Estates recharges from Defra		6,452	6,749
Staff travel and subsistence costs		4,074	4,328
SSCL shared service recharges		3,070	2,928
Network Corporate Services recharges		2,979	-
Staff support costs		679	886
Estates management costs		1,251	1,069
Printing and stationery		217	372
Vehicle costs		984	994
External auditors remuneration		112	120
Internal audit programme		133	72
Other operating costs		1,850	1,639
Non-cash items;			
Impairments charged to net expenditure		5,398	39
Upward revaluations of prior year impairment		(40)	-
Loss on disposal of Property, Plant & Equipment		618	826
Bad Debt Provision		25	(5)
Subtotal		48,793	41,629
Depreciation & Amortisation	7	3,588	3,210
Prior year depreciation adjustment		(40)	-
Total Expenditure		112,069	105,467

2013/14 figures have been reclassified in order to better align programme and grant expenditure to management accounts.

Legal Expenditure in 2014/15 includes £9.5m of expenditure in relation to Bolton Fell Moss land tribunal and compensation for loss of future earnings.

Impairments charged to Net expenditure in 2014/15 relates to recently purchased Heritage Land. The site is subject to planning consents whereby there is a requirement for the property to be restored to a favourable condition consistent with its nature conservation designation. NE is now largely in ownership of the site, with the majority of the restoration works due to be undertaken over the period 2015/16 to 2017/18 (subject to capital funding from Defra). As the majority of the restoration works have not yet started, the land is subject to a significant liability and hence is valued at a notional value of £1, which has resulted in the impairment of £5.3m.

6 Income

	2014/15 £000	2013/14 £000
Income from activities		
EU Technical Assistance ¹	8,972	-
Big Lottery Fund (restricted income)	230	5,242
Contributions from conservation partners	910	568
Single Farm Payment	899	1,074
Other Programme income	356	496
Income from National Nature Reserves	703	677
Legal receipts	518	100
Sub-total income from activities	12,588	8,157
Other income		
Contributions, rents and recharges	91	875
Other European Union Receipts ²	756	410
Commercial Income	576	368
Sub-total other income	1,423	1,653
	14,011	9,810

1. Technical Assistance income is a form of EU funding provided to support and improve implementation of EU fund operational programmes. The funding is paid to Natural England via the Rural Payment Agency as part of the Rural Development Programme for England 2007-2013. It has been utilised to fund a range of activities associated with enhancing implementation of Environmental Stewardship and CAP 2014-20.
2. This includes £234k of accrued European Union funding, which was due to us as at 31 March 2015.

7 Non-current assets

All freehold land (except non-operational heritage assets) and buildings are stated at fair value, and are revalued every 5 years by qualified valuers, on the basis of value in use, in accordance with the Royal Institution of Chartered Surveyors' (RICS) Appraisal and Valuation Manual. This revaluation was carried out as at 31 March 2011 by the Valuation Office Agency, by RICS qualified staff. In between professional revaluations, values are updated annually where material, using indices, provided by RICS for land and the Department of Business Skills and Innovation (BIS) for buildings.

Defra has entered into a service concession arrangement with IBM, and Natural England is included within these arrangements. The arrangements aim to support the organisations, by providing a modernised IT infrastructure; in line with the wider government Information and Communications Technology (ICT) Strategy, which will give access to cost effective IT services and infrastructure. All service concession assets are classed as one tangible IT service concession asset. The contract is for a term of eight years from February 2010. The contract prices are subject to an annual incremental increase, applied from 1 April the start of the financial year. This increase is based on the consumer price index (CPI) as at the end of January in the previous financial year. There are no beneficial entitlements at the end of contract, although Defra and Natural England have the option to purchase specified assets at net book value on exiting the contract.

During the term of the contract, Defra and Natural England have the right to use assets owned by IBM, and IBM are obliged to provide the IT assets for use at a level dictated by performance obligations placed on IBM, and underlying IT product developments commissioned by the Department.

7.1a Property, plant and equipment

	Land	Buildings	Leasehold improvements	Plant & Machinery	Vehicles	Furniture & Fittings	Information Technology	Assets Under Construction (AUC)	Service Concessions Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross Cost or valuation:										
Balance 1 April 2014	8,667	3,844	2,319	4,527	2,659	3,699	638	125	10,422	36,900
Additions	-	254	39	44	104	91	166	-	-	698
Transfers from AUC	-	9	14	-	-	-	-	(125)	-	(102)
Disposals	-	(21)	(937)	(80)	(89)	(331)	(178)	-	-	(1,636)
Service Concession Asset	-	-	-	-	-	-	-	-	35	35
Revaluation	563	(36)	-	-	-	-	-	-	-	527
Impairment	-	(13)	-	-	-	-	-	-	-	(13)
At 31 March 2015	9,230	4,037	1,435	4,491	2,674	3,459	626	-	10,457	36,409
Depreciation:										
Balance at 1 April 2014	-	337	975	3,690	1,776	1,981	401	-	9,050	18,210
Charged in year	-	119	217	151	112	597	105	-	385	1,686
Disposals	-	(3)	(453)	(77)	(89)	(235)	(107)	-	-	(964)
Revaluation	-	1	-	-	-	-	-	-	-	1
Impairment	-	(6)	-	-	-	-	-	-	-	(6)
At 31 March 2015	-	448	739	3,764	1,799	2,343	399	-	9,435	18,927
Net Book Value:										
At 31 March 2015	9,230	3,589	696	727	875	1,116	227	-	1,022	17,482
At 31 March 2014	8,667	3,507	1,344	837	883	1,718	237	125	1,372	18,690

All assets are owned apart from Service Concessions Assets. As at 31 March 2015 there were no assets held for sale.

7.1b Property, plant and equipment

	Land £000	Buildings £000	Leasehold improvements £000	Plant & Machinery £000	Vehicles £000	Furniture & Fittings £000	Information Technology £000	Assets Under Construction (AUC) £000	Service Concessions Assets £000	Total £000
Gross Cost or valuation:										
Balance 31 March 2013	7,977	3,217	2,845	4,672	3,173	4,054	2,642	359	10,632	39,571
Additions	-	486	-	53	10	286	-	125	-	960
Reclassifications	(84)	(66)	-	13	(35)	-	-	-	-	(172)
Transfers from AUC	-	282	16	-	-	-	-	(298)	-	-
Disposals	-	-	(513)	(211)	(489)	(641)	(2,004)	(61)	-	(3,919)
Service Concession Asset	-	-	-	-	-	-	-	-	(210)	(210)
Revaluation	774	(40)	(25)	-	-	-	-	-	-	709
Impairment	-	(35)	(4)	-	-	-	-	-	-	(39)
At 31 March 2014	8,667	3,844	2,319	4,527	2,659	3,699	638	125	10,422	36,900
Depreciation:										
Balance at 1 April 2013	-	276	925	3,724	2,176	1,594	2108	-	8,643	19,446
Charged in year	-	131	269	153	124	759	133	-	407	1,976
Reclassifications	-	22	-	13	(35)	-	-	-	-	-
Disposals	-	-	(206)	(200)	(489)	(372)	(1,840)	-	-	(3,107)
Revaluation	-	(92)	(13)	-	-	-	-	-	-	(105)
Impairment	-	-	-	-	-	-	-	-	-	-
At 31 March 2014	-	337	975	3,690	1,776	1,981	401	-	9,050	18,210
Net Book Value:										
At 31 March 2014	8,667	3,507	1,344	837	883	1,718	237	125	1,372	18,690
At 31 March 2013	7,977	2,941	1,920	948	997	2,460	534	359	1,989	20,125

All assets are owned apart from Service Concessions Assets. As at 31 March 2014 there were no assets held for sale

7.2a Intangible assets

	Software licences
	£000
Gross Cost:	
At 1 April 2014	11,171
Additions	-
Disposals	-
At 31 March 2015	11,171
Amortisation:	
At 1 April 2014	3,816
Charged in year	1,902
Disposals	-
At 31 March 2015	5,718
Net Book Value:	
At 31 March 2015	5,453
At 1 April 2014	7,355

7.2b Intangible assets

	Software licences
	£000
Gross Cost:	
At 1 April 2013	8,468
Additions	3,448
Disposals	(745)
At 31 March 2014	11,171
Amortisation:	
At 1 April 2013	3,246
Charged in year	1,234
Disposals	(664)
At 31 March 2014	3,816
Net Book Value:	
At 31 March 2014	7,355
At 1 April 2013	5,222

8 Non-current heritage assets

Natural England is the body empowered (under the National Parks and Access to the Countryside Act 1949 and Wildlife and Countryside Act 1981) to declare NNRs in England. 98% by area of NNRs are also designated Sites of Special Scientific Interest (SSSIs). NNRs were initially established to protect sensitive features and to provide 'outdoor laboratories' for research. Their purpose has since been widened by the Natural Environment and Rural Communities Act 2006 to include quiet recreation where this doesn't conflict with nature conservation. As well as managing some of our most pristine habitats, our rarest species and our most significant geology, most reserves now offer great opportunities to the public as well as schools and specialist audiences to experience England's natural heritage. To visit an NNR or to see our management policies, see details on our website: www.gov.uk/natural-england

As at 31 March 2015 there were 224 NNRs in England covering 94,000 hectares with Natural England managing 143 of these on its own or jointly with others, and the remainder are managed by Approved Bodies. In 2014/15, Natural England has acquired the freehold of 278 ha of land at Bolton Fell Moss. The value of the NNRs that are not owned by Natural England has not been reflected in these financial statements, nor has the land that is owned but not declared as NNR (ie the 'Shadow Estate'). The current net book value of donated Heritage Assets is £2m.

Heritage assets reported at valuation	Non Operational NNR Land £000	Operational NNR Land £000	Assets under Construction £000	Total £000
Gross cost at 1 April 2014	69,724	3,515	-	73,239
Additions	4,518	-	-	4,518
Transfer from PPE AUC	102	-	-	102
Revaluation	2,432	306	-	2,738
Impairment	(5,391)	-	-	(5,391)
At 31 March 2015	71,385	3,821	-	75,206
Gross cost at 1 April 2013	58,287	3,113	-	61,400
Additions	548	-	-	548
Reclassifications from PPE Land	172	-	-	172
Revaluation	10,717	402	-	11,119
At 31 March 2014	69,724	3,515	-	73,239
Gross cost at 1 April 2012	56,189	2,943	-	59,132
Additions	10	-	-	10
Revaluation	3,118	170	-	3,288
Impairment	(1,030)	-	-	(1,030)
At 31 March 2013	58,287	3,113	-	61,400
Gross cost at 1 April 2011	54,122	2,700	-	56,822
Additions	1	-	-	1
Revaluation	2,066	243	-	2,309
At 31 March 2012	56,189	2,943	-	59,132
Gross cost at 1 April 2010	50,356	1,690	-	52,046
Revaluation	3,766	1,010	-	4,776
At 31 March 2011	54,122	2,700	-	56,822

9 Financial instruments

As the cash requirements of Natural England are met through GiA provided by Defra, financial instruments play a more limited role in creating risk than would apply to a non-public sector body. IAS 39, 32 and IFRS 7 require disclosure of the role which financial instruments have had during the year in creating or changing the risks an entity faces in undertaking its activities. Natural England holds financial instruments only to the extent that they are necessary to meet its normal operational activities.

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

Liquidity risk

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

Interest rate risk

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

Credit risk

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

Foreign currency risk

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

Financial assets/liabilities

During the year all bank accounts were held within the Government Banking Service.

10 Trade and other receivables

10.1 Amounts falling due within one year:

	31 March 2015	31 March 2014
	£000	£000
Accrued income	5,342	666
Trade receivables	1,277	505
Other receivables	36	40
Prepayments	212	339
	6,867	1,550

10.2 Analysis of receivables by organisation type

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

Intra-Government Balances (Accounts Receivable):	Balances due on 31 March 2015	Balances due on 31 March 2014
	£000	£000
Balances with other central government bodies	5,823	800
Balances with public corporations	1	-
Balances with local authorities	188	85
Balances with bodies external to government	855	665
Total receivables & accrued income	6,867	1,550

11 Cash and cash equivalents

	31 March 2015	31 March 2014
	£000	£000
Balance at 1 April	21,176	32,228
Net (Decrease)/Increase in cash and cash equivalent balances	(10,347)	(11,052)
	10,829	21,176

12 Trade and other payables

12.1 Amounts falling due within one year:

	31 March 2015	31 March 2014
	£000	£000
Trade Payables and other payables	6,361	2,780
Accruals	17,833	34,047
Deferred Income	2,175	680
VAT payables	144	101
Tax and social security payables	1,368	1,576
IBM Right of use assets	959	694
	28,840	39,878

12.2 Amounts falling due after one year:

	31 March 2015	31 March 2014
	£000	£000
IBM Right of Use assets(service concession)	1,674	1,840
Countryside S28 payable	1,513	1,783
Total other payables	3,187	3,623

Defra has a contract with IBM. For relevant information regarding the value of the IT service concession asset please refer to note 7.1. The contract prices are subject to an annual incremental increase, applied from 1 April. This increase is based on the consumer price index (CPI) as at the end of January in the previous financial year.

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

The total future liability to pay for the 'right of use' assets is £2.6 m (2013/14 £2.5 m), of which the current liability (included within note 12.1 above, and 14.3) is £0.9 m (2013/14 £0.7 m), the non-current liability (included within note 12.2 above, and 14.3) is £1.7m (2013/14 £1.8 m).

12.3 Analysis of payables by organisation type

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

Intra-Government Balances (Accounts Payable):	31 March 2015		31 March 2014	
	Amounts falling due within one year:	Amounts falling due after more than one year:	Amounts falling due within one year:	Amounts falling due after more than one year:
	£000	£000	£000	£000
Balances with other central government bodies	8,057	1,674	14,027	1,840
Balances with local authorities	2,366	-	3,619	-
Balances with Public Corporations	69	-	30	-
Balances with bodies external to government	18,348	1,513	22,202	1,783
Total payables & accrued income	28,840	3,187	39,878	3,623

13 Provisions

13.1 Pension Provisions

Pension Provisions	Balance at 1 April 2014	Provided in the year	Provisions utilised in the year	Provisions not required written back	Balance at 31 March 2015
	£000	£000	£000	£000	£000
Pensions by analogy	292	34	(15)	-	311
Total pensions by analogy	292	34	(15)	-	311

Pension Provisions	Not later than one year	Later than one year and not later than five years	Later than five years	Balance at 31 March 2015
	£000	£000	£000	£000
Pensions by analogy	15	59	237	311
Total pension by analogy	15	59	237	311

13.2 Other Provisions

Other Provisions	Balance at 1 April 2014	Provided in the year	Provisions utilised in the year	Provisions not required written back	Balance at 31 March 2015
	£000	£000	£000	£000	£000
Retirement & severance	655	67	(164)	-	558
Litigation	140	-	-	(140)	-
Land Restoration	-	3,144	-	-	3,144
Total other provisions	795	3,211	(164)	(140)	3,702

Other Provisions	Not later than one year	Later than one year and not later than five years	Later than five years	Balance at 31 March 2015
	£000	£000	£000	£000
Litigation	-	-	-	-
Early retirement & severance	283	275	-	558
Land Restoration	1,267	1,877	-	3,144
Total other provisions	1,550	2,152	-	3,702

14 Commitments under leases

14.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below:

Obligations under operating leases comprise:	31 March 2015 £000	31 March 2014 £000
Land		
Not later than one year	579	566
Later than one year and not later than five years	1,678	1,845
Later than five years	3,402	3,577
Total Land	5,659	5,988
Buildings		
Not later than one year	91	144
Later than one year and not later than five years	154	403
Later than five years	55	291
Total Buildings	300	838

14.2 Defra properties occupied by Natural England

Natural England does not hold the freehold of the office buildings which it occupies; they are owned by either a government department or agency and are subject to either a Memorandum of Terms of Understanding (MOTU) or a Memorandum of Terms of Occupation (MOTO).

Although MOTOs & MOTUs are not a legal lease arrangement, the commercial reality under IFRIC 4 is that these arrangements are consistent with a lease and as a going concern Natural England should reflect the underlying commitment to cover rental payments and the need for on-going provision of accommodation for the duration of the terms of the MOTU arrangement. Natural England occupies 25 properties subject to MOTU arrangements, with an average commitment term of three years. Within the Statement of Comprehensive Net Expenditure the full cost of occupation is reflected in relation to buildings that are either owned or leased by Defra. The costs are proportionate to occupation and include rates, utilities, management overheads, facilities management and associated capital charges. For leasehold properties this also includes rental costs. The estimated value of non-specialised freehold property owned by Defra but occupied by Natural England is £2.0m (£1.1 m 2013/14).

The following disclosure shows the proportionate cost of Natural England's occupation in Defra leasehold properties. The related arrangements between Natural England and Defra reflect a future commitment to reimburse Defra for the underlying rentals paid to landlords for the provision of the leasehold accommodation.

Future obligations under MOTU agreements comprise:	31 March 2015	31 March 2014
	£000	£000
Buildings		
Not later than one year	1,784	2,139
Later than one year and not later than five years	5,039	5,404
Later than five years	2,435	1,391
Total Buildings	9,258	8,934
Land		
Not later than one year	1	1
Later than one year and not later than five years	3	3
Later than five years	33	35
Total Land	37	39

14.3 Obligations under IBM Right of use (service concession arrangements)

Details of the imputed finance lease charges are given in the table below for each of the following periods. More information about this contract can be found in note 1.3.2 and note 13.2 to the financial statements.

Obligations for the following periods comprise:	31 March 2015	31 March 2014
	£000	£000
Rentals due within one year	1,021	742
Rentals due within two to five years	1,950	2,238
Rentals due thereafter	-	-
	2,971	2,980
Less interest element	(338)	(446)
Present value of obligations	2,633	2,534

Present value of obligations for the following periods comprise:	31 March 2015	31 March 2014
	£000	£000
Rentals due within one year	960	694
Rentals due within two to five years	1,673	1,840
Rentals due thereafter	-	-
Present value of obligations	2,633	2,534

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

15 Commitments under Private Finance Initiative (PFI) contracts

15.1 Off-balance sheet

An off-balance sheet PFI contract was signed by Defra in February 2001. The scheme involved the grant of a 129 year ground lease to a PFI partner who constructed an office building for Defra, occupied in 2003, subject to a 30 year lease to 31 March 2033. The building is not an asset of the Department and will not revert to Defra at the end of the lease term. The freehold land subject to the ground lease is a Defra asset. Defra occupies 0.39% of the building and recharges other occupiers for their share of the costs. To ensure consistency across the Defra family, Natural England is disclosing this asset as a PFI commitment as Natural England occupies 16.9% of the site in the current and prior year.

The total future minimum payments for Natural England's share under off balance sheet PFI comprises:

	31 March 2015	31 March 2014
	£000	£000
Not later than one year	868	842
Later than one year and not later than five years	3,721	3,525
Later than five years	15,306	15,961
Present value of obligations	19,895	20,328

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

The total amount charged to the Statement of Comprehensive Net Expenditure in respect of off-balance sheet PFI transactions was £0.8m (£0.8m 2013/14).

16 Other financial commitments

The below contracts have been disclosed, as cancelling them would create an adverse operational impact to Natural England in respect of occupation of property, Business Continuity Planning, and the incurrance of considerable financial penalties. The commitment for the Interserve estates facilities management (FM) contract includes the core FM contract, Reactive FM and all approved contract variations that impact the future cost of the contract. The payments are consistent with arrangements containing a lease as defined by IFRIC 4. The commitment for the Interserve FM contract is subject to change as the size of the Estate adjusts through strategic alignment.

	31 March 2015	31 March 2014
	£000	£000
Not later than one year	823	883
Later than one year and not later than five years	3,231	3,525
Later than five years	3,231	4,406
Present value of obligations	7,285	8,814

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

These payments combined are as follows:

	31 March 2015	31 March 2014
	£000	£000
Not later than one year	14,173	19,163
Later than one year and not later than five years	25,473	53,021
Present value of obligations	39,646	72,184

17 Contingent liabilities disclosed (IAS 37) and claims against Natural England

Natural England has the following contingent liabilities;

	31 March 2015	31 March 2014
	£000	£000
Claims and Litigation	409	-

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 the results of Natural England.

18 Losses and Special payments

Natural England has had no losses or special payments over £300k, individually or in total, throughout 2014/15.

19 Events after the reporting date

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue by the Accounting Officer. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

20 Related party disclosures

Natural England is an Arm's Length Non-Departmental Public Body sponsored by Defra, which is regarded as a related party. During the year Natural England has carried out a number of material transactions with Defra in the normal course of business. In addition, Natural England had various material transactions with the following entities, for which Defra is regarded as the parent department; Animal and Plant Health Agency, Environment Agency and the Rural Payments Agency. Natural England has had a small number of transactions with other government departments and other central government bodies. Of these transactions, most have been with the Health & Safety Executive and the Natural Environment Research Council.

The following table shows the organisations where our Board or senior staff members have a related party interest.

Member / Senior staff	Corporate related body	Total payments made (Goods & Services)	Total income received	Amount owed by Natural England at 31 March 2015	Amount owed to Natural England at 31 March 2015
Related Party Disclosures		£000	£000	£000	£000
Poul Christensen, Joe Horwood & David Hill	Joint Nature Conservation Committee (JNCC)	158	4	-	-
Julia Aglionby	Foundation for Common Land	5	-	-	-
Simon Lyster	Northumbrian Water	2	-	-	-
	Rural Community Council of Essex	5	-	2	-
Andy Clements	British Trust for Ornithology	102	-	32	-
Teresa Dent	Marlborough Downs Nature Improvement Area	249	-	20	-
	Langholm Moor Demonstration Project	18	-	-	-
John Varley	Environment Agency	613	131	-	-
Nigel Reader	Natural Resources Wales	-	117	-	112
	Marine Management Organisation	52	31	9	-

No board member, executive director or senior manager has undertaken any material transactions with Natural England for which they have declared an interest. Further information on Board members and executive directors can be found in the remuneration report.

Annex 1: Progress against our Key Performance Indicators

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

Our commitment expressed in the 2014/15 Corporate Plan Update highlighted the 13 Key Performance Indicators (KPIs) that we would report on, both to our Board and Defra, on a quarterly basis.

We publish these quarterly reports on our website and report high level progress to the Secretary of State and Defra's Board. The indicators span each of our ten Business Areas and the subsequent extracts record our delivery against the 2014/15 targets.

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

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

KEY

Our 2014/15 Performance

Our performance across the 13 KPIs in our Corporate Plan Update shows that one was assessed as 'Red'; one was assessed as 'Amber Red'; four were 'Amber Green'; and seven were 'Green'. Therefore, 85 per cent of the KPIs in our Corporate Plan Update are either 'Green' or 'Amber Green' at the end of Quarter Four.

Natural England Year-End 2014/15 Key Performance Summary Scorecard

Key Performance Indicator	2014/15 Performance	Key Performance Indicator	2014/15 Performance
Protected Sites	Red	Support for farm businesses and land managers to deliver multiple outcomes	Amber Red
Priority Habitats	Green	National Nature Reserves *	Amber Green
Protected Species	Green	Sustainable development solutions	Amber Green
Marine Protected Areas	Amber Green	Our regulation supports growth	Amber Green
Diversity and character of England's Landscape	Green	Our Evidence Programme	Green
Coastal Access	Green	Managing our Money	Green
		Excellent Customer Service	Amber Green

*not a formal KPI in our 2014/15 Corporate Plan

Terrestrial Biodiversity

Maintain and Improve the condition of protected sites

Metrics:

- 1) 38 per cent of terrestrial SSSIs in favourable condition
- 2) 95 per cent of terrestrial SSSIs in favourable and unfavourable recovering condition

2014/15 Performance

RED

37.62 per cent of terrestrial SSSIs are in favourable condition at year-end, an increase of 0.07 per cent during 2014/15 though below our target of 38 per cent and the reason for our overall 'Red' RAG status. This performance is in the context of our forward planning work and management of casework risk to help us meet the overall Biodiversity 2020 target of 50 per cent. We had previously reported to the Biodiversity 2020 Programme Board that we estimated delivering 46-48 per cent by 2020.

Our priority this year has been to develop SSSI Condition Delivery Plans for all of our Area Teams to provide a robust basis for local site improvement over the remainder of the decade. The SSSI improvement budget and the condition assessment programme are now aligned to the 2020 priorities identified in these local plans. We have also refreshed local liaison with our Major Landowners Group partners with more regular meetings to review progress.

95.98 per cent of terrestrial SSSIs are in favourable or unfavourable recovering condition at year-end meeting our 95 per cent target.

Maintain, improve and create priority habitats

Metrics:

- 1) We maintain 549,000 hectares
- 2) We bring 15,000 hectares into recovery
- 3) We create 2,500 hectares

(includes priority habitat under HLS both inside and outside SSSIs)

2014/15 Performance

GREEN

This year, we have maintained over 577,000 hectares of priority habitat in suitable agri-environment management. We also brought 14,650 hectares of priority habitat outside of SSSIs into recovery. The shortfall on our target of 15,000 hectares was due to a slight increase in the dropout rate of our main mechanism of classics agreements moving into Higher Level Stewardship before the final start date of 1 December. We also created 4,898 hectares of new priority habitat consisting of 3,800 hectares from agri-environment creation and 1,098 hectares from Green Infrastructure. The slight shortfall in the recovery target is more than compensated by the increase in creation of new priority habitat.

Conserve threatened priority species and manage invasive non-native species (INNS)

Metrics:

- 1) We implement a partnership programme for priority species
- 2) We implement an Invasive Non-Natives control programme

2014/15 Performance

GREEN

Working with our partners, we initiated, lead and completed a review commissioned by Defra of Biodiversity 2020 Outcome 3 which assesses the status of 541 species and prioritises actions for their protection. 361 species have been identified as being at high risk of being lost from England by 2020.

This year we funded 70 projects under the Species Recovery Programme which targets the urgent and high priority actions for 541 species. Our £908,000 investment was match funded by partners bringing the total contribution to over £1,673,000. Examples of successful projects include the 39 breeding pairs of curlew recorded around their release site in Cornwall, up 39 per cent on 2013. Following on from their respective captive breeding and reintroduction programmes, this year we also witnessed record numbers of singing males corncrakes (22) at the Nene Washes release site.

The governance and priorities of the GB INNS Strategy is still under review and we have fed our views in working closely with the Programme Board.

Marine Biodiversity

Advise on the network of Marine Protected Areas

Metrics:

- 1) We protect 60 per cent of features in MPAs in favourable or recovering condition
- 2) We advise on 27 MPAs including SPAs and Tranche Two pre-consultation on MCZs
- 3) We deliver updated conservation objectives and associated advice packages on 47 MCZs

2014/15 Performance

AMBER GREEN

This year, we assessed 56 per cent of Marine Protected Area (MPAs) features and of these 89 per cent were in favourable or recovering condition. Although we were slightly short of our target due to prioritising designations and advice work, we have recently progressed work on updating the condition assessment methodology to finalise it in the first half of next year. We completed all of our planned monitoring and survey projects.

We delivered advice on 31 MPA designations this year and which Government has used to inform their consultation on inshore Tranche Two Marine Conservation Zones (MCZs) and the classification of new Special Protection Areas (SPAs).

We published seven final and ten draft Conservation Advice packages on GOV.UK prior to year-end. The remaining 30 sites are over 80 per cent complete and we aim to publish these during 2015/16.

Landscape and Geodiversity

Maintain and enhance the diversity and character of England's Landscape

Metrics:

- 1) We promote landscape scale delivery through local partnerships to deliver multiple environmental outcomes informed by NCAs
- 2) We contribute to climate change adaptation and mitigation, including through ecosystem restoration

2014/15 Performance

GREEN

Over the course of this year, our Area Teams have developed their engagement with local partnerships through good examples of the use of National Character Areas (NCAs) to inform future projects and funding bids. We received over 80,000 hits on our NCA pages in 2014/15 and ran 14 Area team NCA embedding workshop with external partners. We also updated 51 NCA profiles this year.

The Nature Improvement Areas (NIAs) work delivered its £7.5million programme (joint Defra/Natural England funding) on time and on budget, with successful outcomes and outputs. The final Monitoring & Evaluation report is due in November 2015. The 12 NIAs and eight tier two landscape scale partnerships are now looking to maintain co-ordinated direction and focus beyond the 2014/15 period of joint funding. In addition, Natural England and Defra have been asked to provide support, coordination and leadership, and to develop a national best practice network.

We completed our progress report on the Climate Change Adaptation Plan as planned during Quarter Four and we are making good progress against our challenging commitments.

Access and Engagement

Deliver Coastal Access

Metrics:

- 1) We commence work on 982 kilometres of coast access since 2010
- 2) We submit 627 kilometres of cumulative coastal access route to the Secretary of State for approval

2014/15 Performance

GREEN

In 2014/15, we commenced work on 218 kilometres of coast bringing the cumulative total since 2010 (including the 123 kilometres opened prior to 2014/15) to 1,009 kilometres to meet this target. As a result we are now working extensively along the coastlines of Cumbria, Yorkshire, Norfolk and Kent as well as Dorset and Somerset. As per our 'pre-acceleration' delivery programme, we will commence work on further new stretches in 2015/16.

This year we also submitted five reports to the Secretary of State for approval for 282 kilometres bringing our cumulative total to 597 kilometres. This is 30 kilometres short of our target to be submitted to government for approval this year. This shortfall relates to the Lyme Regis to Portland stretch where we needed to await the outcome of a piece of research on migratory and wintering birds. This report will now be submitted to government in June after the General Election.

Our overall performance is 'Green' in recognition that this is likely to be short delay on this stretch.

We are now undertaking extensive planning to prepare for the acceleration of the Coastal Access Programme to meet the government target (announced last September) that the England Coastal Path will be completed by 2020.

Environmental Land Management

Support Farm Businesses and other land managers to deliver environmental outcomes

Metrics:

- 1) We deliver our eight HLS outcome measures
- 2) We engage 5,000 targeted farmers in farm advice
- 3) We deliver our role to ensure the New Environmental Land Management Scheme opens in 2015

2014/15 Performance

AMBER RED

After confirming all new agreements following the closure of the Higher Level Stewardship (HLS) Scheme on 1 December, our performance was strongly above target on three outcome indicators (SSSIs, Water Framework Directive and Scheduled Monuments), on target for two indicators (Habitat maintenance/restoration and S.41 Species) and only slightly below the targets on two indicators (Farmland Birds: 95 per cent achieved and Habitat Creation: 98 per cent achieved). This was despite a higher fall-out in HLS applications than in previous years (40 per cent compared to 30 per cent). We also achieved our original target to set up suitable agreements for farmland butterflies with Butterfly Conservation, securing 81 agreements. However, although the habitat management under these agreements will be suitable, more recent population surveys produced in 2014 suggested a new risk that 24 of the agreements might not be able to attract the desired butterflies, at least in the short term.

We engaged 5,479 farmers through our Catchment Sensitive Farming (CSF) programme to meet our target and helping to deliver improvements in water quality in priority catchments.

Our overall 'Amber Red' performance reflects this year's challenges in delivering work to implement the new Countryside Stewardship Scheme. We have contributed substantially in the progress to date – helping secure programme approval and funding from the EU, delivering a scheme to meet the environmental policy priorities that is verifiable and controllable, establishing a targeting framework and selection criteria, and developing and publishing extensive information and guidance to support the scheme. We have made a considerable investment in supporting the CAP Delivery programme and develop the IT functionality to support the scheme this year. We have completed the configuration of scheme options ahead of schedule although testing has been delayed by technical issues. Therefore we have invested in contingency planning and developed an alternative delivery approach for 2015 as the IT functionality that will be available has become clearer. We have also managed some very significant changes resulting from the new regulations to minimise the impacts on existing Environmental Stewardship customers as far as possible.

National Nature Reserves

National Nature Reserve (NNR) Management

Metrics:

- 1) By 2020 70 per cent of Natural England's NNRs will be meeting the NNR Management Standard
 - a) Management plans reviewed within last five years;
 - b) Exemplary management of designated features with remedies and condition threats up to date;
 - c) NNR management contributes to wider ecosystems and takes account of climate change adaptation;
 - d) Provision for public enjoyment and quiet recreation are being taken forward

2014/15 Performance

AMBER GREEN

Our overall performance is 'Amber Green' as we completed reviews of 51.8 per cent of our NNR Management Plans against a 2014/15 target of 52.7 per cent. These ongoing reviews have highlighted some future challenges so we intend to closely align science, advice and resource to produce future management plans through an enhanced collaborative and supportive five-yearly review process.

Our work on the other elements of the NNR Management Standard: Exemplary management; NNR management contributing to wider ecosystems; and the provision for public enjoyment and quiet recreation, has progressed satisfactorily. This was the final year of a three year programme to finalise Public Engagement Standard Action Plans and we completed the majority or agreed where responsibility should pass to partners.

Support to the Planning System

Advise on spatial planning and sustainable development solutions

Metrics:

1) We respond to 95 per cent of our casework consultations within agreed deadlines

2014/15 Performance

AMBER GREEN

During 2014/15, we responded to 85.6 per cent of our 39,777 consultations within agreed deadlines and we continued to meet the Department for Communities and Local Government target to respond to statutory planning consultations within 21 days.

Across our four main areas this equates to delivering to deadline as follows:

- Terrestrial Planning: 97.9 per cent of our 24,830 consultations;
- SSSI Consents: 96.1 per cent of our 2,255 consultations;
- Marine Planning: 97.4 per cent of our 1,172 consultations;
- Wildlife Licensing: 55.8 per cent of our 11,520 consultations.

Throughout the year, we have kept our customers informed on likely timescales for individual applications, and advised stakeholders through the Developer Industry Group, our customer panel and trade publications.

Wildlife licensing remained a huge challenge and this year we took a number of steps to improve our performance in the longer term. In the second half of the year, we were able to increase the number of staff trained to assess licences. Our Area Teams now have full responsibility for licensing work in their area, as well as greater control over resources and priorities following full devolution of European protected species licensing work to them in Quarter Four.

For 2015/16, we are revising our approach and guidance so that we can identify low-risk licence applications for fast-track processing and to allow our technical staff to concentrate on more complicated and high risk applications. We have also rolled out a number of initiatives in advance of the 2015/16 licensing season such as the low impact bat class licence which we expect to have a significant positive effect on our future delivery.

Wildlife Management

Improve the efficiency and effectiveness of our statutory advice, our work and guidance as a regulator, and transitional services to support growth & protect the environment

Metrics:

- 1) We reduce our costs by 7.5 per cent (over 3 years) on those we regulate
- 2) We increase the amount of our chargeable discretionary pre-application advice by 20 per cent
- 3) We achieve a 60 per cent customer satisfaction rate (in this transition year) on all our guidance reform plans implemented by March 2015
- 4) We increase the number of class and general licences available by 10 per cent to avoid the need for individual licences

2014/15 Performance

AMBER GREEN

Over the last three years, we have reduced our costs by 11.6 per cent saving our customers over £632k from Low impact Class Licences and Annexed Licences. Our commercial income from chargeable discretionary pre-application advice for 2014/15 was £653k which equates to 13 per cent compared to our 20 per cent target. We have assessed performance of this individual metric as 'Red'.

During Quarter Four, we prioritised resources in order to meet our target for transferring guidance onto GOV.UK. We have now collated our baseline customer satisfaction data as planned for this transition year, and intend repeating the customer survey at the end of the project later in 2015. This year, we introduced six new class and general licences to meet the ten per cent target for our fourth metric.

Evidence

Continue the programme to deliver significant improvements in availability of, and access to, evidence.

Metrics:

- 1) We improve the standard of data management and custodianship of evidence across the organisation
- 2) We maintain the publication of our evidence and access and use of others' data and evidence (measured by 750,000 annual downloads of technical publications; 50 evidence publications in 2014/15; 1,800 MAGIC users average per day)

2014/15 Performance

GREEN

This year, we have delivered all agreed actions to improve our guidance and systems for managing and improving availability and access to our evidence. In the Natural England 2014 Partner Survey, 74 per cent of respondents said our advice is based on evidence. The general public downloaded 11,447 data packages during 2014/15 and our top five England data products were for Sites of Special Scientific Interest, Special Areas of Conservation, Agricultural Land Classification, Ancient Woodland and Areas of Outstanding Natural Beauty boundaries.

During 2014/15, we exceeded our targets with 1.4 million documents downloaded and 67 new evidence reports published. We averaged over 2,000 MAGIC users per day, with our highest daily figure being 3,483 user sessions on 24 February. Marine designations data were added to MAGIC for

first time in March. The MAGIC customer survey closed on 7 January with 2,620 respondents (nearly three times the last survey). When asked 'how well does MAGIC meet your needs, 69 per cent indicated 'extremely or very well', with most of the remainder stating 'quite well' (25 per cent). 90 per cent of respondents said they would definitely or probably recommend MAGIC to others.

Corporate Services

We manage our money effectively

Metrics:

1) Our actual expenditure is 100 per cent of our planned budget expenditure

2014/15 Performance

GREEN

At year-end, we were £95.6k or 0.05 per cent underspent compared to our full year forecast spend of £176 million. Two days before our final ledgers were due to close, Defra instructed us of an £89.4k credit in relation to the settling of an estates contract from 2011/12. This adjustment was outside of our control and affected all Defra Network Bodies. After allowing for this, our performance shows an underspend of £6.2k or 0.003 per cent. This result is subject to the usual annual external audit.

The 2014/15 RDPE Exchequer and EU full year forecast was £425.9 million. As at 31 March, we had spent £426.9 million, which was 100.2 per cent of the agreed budget.

Deliver Excellent Customer Service

Metrics:

1) 88 per cent of our customers are satisfied with the way we deliver our services

2014/15 Performance

AMBER GREEN

Our overall 2014/15 transactional customer feedback says that 90 per cent of responders are 'satisfied' or 'very satisfied' with the service they receive from us. Our transactional feedback comes from wildlife licensing; land use planning advice; land management advice; digital service centre support feedback; and we have recently started to include marine planning consultations.

Throughout 2014/15, our Customer Service Excellence Accreditation re-assessments have been taking place and all nine of our teams reviewed so far have been formally reaccredited, representing over 60 per cent of our staff.

We want to maximise opportunities to listen carefully to wider customer perceptions of us and to learn from their insight. We received a total of 195 complaints during 2014/15 which was an increase of 57 per cent on 2013/14, with 30 per cent relating to delays in issuing wildlife licenses. Our overall 'Amber Green' performance reflects our customers' concerns on this issue as well as customers' expectations relating to changes to agri-environment schemes delivery.

Annex 2: The Sustainability and Environmental Report 2014/15

1. Background

As part of its Sustainable Development Strategy, the Government encourages public bodies to disclose their sustainability and environmental performance as an annex to their Annual Report and Accounts. The environmental data and associated financial costs presented in the following pages are consistent with the requirements of HM Treasury's Public Sector Annual Reports: Sustainability Reporting Guidance 2014/15.

The information contained within this Annex has not been subject to audit and does not form part of the auditors' opinion of the Accounts.

2. Introduction

Sustainability is central to the way Natural England delivers its business. In the years preceding the period of this report we invested in both our workforce and our estate to improve our environmental performance. In doing so we achieved our target of a 50 per cent reduction on our carbon emissions against the 2007 baseline by the end of 2010 and have maintained that level of performance since.

3. Summary of Performance

Our performance summary for 2014-15:

Area	Actual Performance	RAG	Target Performance (where applicable)
Carbon dioxide emissions ^{1,2}	2540 tCO ₂	GREEN	2703.9
Total waste ³	50 tonnes	GREEN	73.73 tonnes
Water consumption ³	3,550 m ³	GREEN	A reduction from our baseline (9,302 m ³)
Carbon Reduction Commitment (CRC) related expenditure ⁵	£9,158		
Total energy consumption ¹	2,088,874 kWh		
Buildings energy consumption ¹	2,088,874 kWh		
Total energy expenditure	£301k		
Residual office waste ³	6 tonnes		
Total waste expenditure ⁴	Not applicable		
Water Expenditure ³	£62k		

We continue to ensure that the culture and behaviours we have adopted around carbon reduction and sustainable ways of working remain embedded in our daily work. We continue to maintain our travel carbon budget system across each of Natural England's teams, with carbon allocations aligned to financial budgets. These are reported on a routine basis across the organisation, firmly embedding travel minimisation and low carbon travel choices as "business as usual" ways of working. Our ambitious programme of office consolidation that contributed significantly to our 50 per cent carbon savings has now concluded and our focus around the estate is to minimise the environmental impact of our offices. We are working closely with Defra and our landlords across the majority of the estate to achieve these targets.

Natural England is required to report on the Greening Government Commitments (GGC). These consist of a range of targets around our environmental performance of the estate, including those stated in this report. Our performance to date for 2014-15 has been excellent, with us meeting, or exceeding, each of our GGC targets.

Greenhouse Gas Emissions

Natural England achieved its self-imposed target to reduce carbon emissions associated with energy consumption on the estate and business travel by 50 per cent against its 2007 baseline by the end of 2010. We continue to reduce our energy consumption and have achieved the GGC target to reduce greenhouse gas emissions by 25 per cent against the 2009/10 baseline.

Greenhouse Gas Emissions		2014/15	2013/14	2012/13	2011/12	2010/11
Non-Financial Indicators (tCO ₂ e)	Total Gross Emissions for Scopes 1 & 2 ^{1,2} (procured electricity, gas and fleet vehicles incl pool cars)	1,147	1,213	2,142	2,343	3,076
	Total Net Emissions for Scopes 1 & 2 ^{1,2} (procured electricity, gas and fleet vehicles incl pool cars)	1,147	1,213	2,142	2,343	3,076
	Gross emissions attributable to Scope 3 official business travel ²	1,393	1,442	1,099	1,071	1,038
Related Energy Consumption (KWh)	Electricity; Non Renewable ¹	59,776	186,951	1,776,485	2,175,222	3,544,222
	Electricity: Renewable ¹	1,000,139	746,470	-	-	-
	Electricity: CHP ¹	1,594	16,694	-	-	-
	Electricity: Total	1,061,509	950,115	1,776,485	2,175,222	3,544,222
	Gas ¹	1,027,365	1,174,121	2,670,518	3,206,027	4,458,377
	LPG	-	-	-	-	-
	Other	-	-	-	-	105,844
Financial Indicators (£k)	Expenditure on Energy	£364k	£324k	£277k	£248k	£405k
	CRC Licence Expenditures	£9,158	£8,152	£9,944	£9,192	-
	CRC Income from Recycling payments	-	-	-	-	-
	Expenditure on accredited offsets	-	-	-	-	-
	Expenditure on official business travel	£3.04m	£3.24m	£3.09m	£2.66m	£2.46m

Performance Commentary (including targets)

Natural England achieved its own 50% target to reduce the carbon emission associated with energy consumption on the estate and business travel against its 2007 baseline by the end of 2010. The energy performance across our estate continues to improve year on year with the 2015 GGC target already achieved. Whilst travel emissions are increasing due to the organisational structure of nationally dispersed teams, they still remain within GGC thresholds.

Controllable Impacts Commentary

The main direct impacts for us in terms of carbon emissions are from our operational electricity and gas consumption and road, air and public transport mileage.

Overview of Influenced Impacts

Natural England is able to influence the emissions of its supply chain significantly through procurement specifications and through sharing our approach with other organisations.

Waste

Natural England has performed well against the GGC waste target, producing a total of 50 tonnes of waste across the office estate (where data is available) against a target of 73.73 tonnes.

Waste		2014/15 ³	2013/14	2012/13	2011/12	2010/11	
Non-Financial Indicators (tonnes)	Total waste arising	50	40.7	63.0	90.0	76.5	
	Hazardous waste	-	-	0.1	0.5	1.5	
	Non hazardous	Landfill	6	10.1	14.9	17.0	26.8
		Reused/ Recycled	38	30.5	46.2	68.6	41.3
		Waste composted	-	-	0.1	0.3	
		Incinerated with energy recovery	6	0.1	1.6	1.8	6.9
		Incinerated without energy recovery	0	0.1	0.1	1.8	
Financial Indicators (£k)	Total disposal cost ⁴	Not Monitored	Not Monitored	Not Monitored	Not Monitored	Not Monitored	
	Hazardous waste – disposal costs ⁴	Not Monitored	Not Monitored	Not Monitored	Not Monitored	Not Monitored	
	Non-hazardous – disposal cost	Landfill ⁴	Not Monitored				
		Reused/ Recycled ⁴	Not Monitored				
		Incinerated ⁴	Not Monitored				

Performance Commentary (including targets)

Defra supplies data on a quarterly basis. This is the third year we have been able to disaggregate composted waste from recycled/reused waste and report incinerated waste with and without energy recovery. All figures are in tonnes and cover 16 offices. Where data is available for multi-occupancy sites, figures are calculated on % occupancy basis. Information is not available where landlords are responsible for waste and recycling activities. We have exceeded our GGC target to reduce our waste to 73.73 tonnes by 2014/15 from 98.3 tonnes. We are maintaining our recycling/reuse of waste rates at just over 73%.

Controllable Impacts Commentary

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

Overview of Influenced Impacts

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

Finite Resource Consumption - Water

Natural England have achieved the GGC target to reduce water consumption against the 2009/10 baseline of 8,050m³

Finite Resource consumption - Water			2014/15 ³	2013/14	2012/13	2011/12
Non-Financial Indicators	Water consumption (m ³)	Supplied	3,550	3,768	5,053	6,424
		Abstracted	-	-	-	-
Financial Indicators (£k)	Water supply costs		£62k	£68k	£68k	£54k

Performance Commentary (including targets)

This is the third year we have been monitoring our water consumption across our estate on an occupancy basis, against a Greening Government Commitment baseline of 8050.49m³ for 2009-10. By 2013-14 we have reduced our consumption by over 52%.

Controllable Impacts Commentary

Our major impact in terms of water consumption is the consumption of potable water in our offices. We continue to work with our landlords, Defra, and facilities management provider, Interserve, to establish a water efficiency programme based on water savings technologies and behavioural change.

Overview of Influenced Impacts

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

We will fully support the following Defra-wide initiatives planned for the 2014-15 year and beyond which include:

- Improvements to water monitoring through smarter targeting of consumption at a building level, enabling quicker response times to rectify spurious or excessive consumption;
- Changes made to the Department's Facilities Management Contract will make facilities managers more accountable for water use in the buildings they manage;
- Increased emphasis on staff culture change through awareness campaigns and engagement exercises.

Finite Resource Consumption - Energy

Reductions in energy consumption is a core component of our overall carbon reduction programme and correlates with achieving the GGC target for Greenhouse Gas Emissions above.

Finite Resource consumption - Energy			2014/15 ³	2013/14	2012/13	2011/12	2010/11
Non-Financial Indicators	Energy consumption (kWh)	Electricity: Non-Renewable	59,776	186,951	1,776,485	2,175,222	3,544,222
		Electricity: Renewable	1,000,139	746,470	-	-	-
		Electricity: CHP	1,594	16,694	-	-	-
		Electricity: Total	1,061,509	950,115	1,776,485	2,175,222	3,544,222
		Gas	1,027,365	1,174,121	2,670,518	3,206,027	4,458,377
		LPG	-	-	-	-	-
		Other	-	-	-	-	105,844
Financial Indicators (£k)	Total Energy Expenditure		£364k	£324k	£277K	£248K	£405K

Performance Commentary (including targets)

Reduction in energy consumption is a core component of our overall carbon reduction programme. Our reduction in energy consumption correlates with achieving our GGC target for GHG emissions.

Controllable Impacts Commentary

Our main energy consumption is for heating our offices and we continue to monitor and review the efficiency of our estate as part of GGC targets. We have further reduced the size of our office estate through closures, relocation and rightsizing.

Overview of Influenced Impacts

We will fully support Defra-wide initiatives planned for the 2014-15 year and beyond which include:

- improvements to energy monitoring through the smarter targeting of consumption at a building level, enabling quicker response times to rectify spurious or excessive consumption;
- increased scrutiny of building controls, such as timers and temperature set-points to ensure buildings are heated or cooled within specific parameters and checking that equipment such as boilers and lighting are not running unnecessarily outside of standard office operating hours;
- changes made to the Facilities Management Contract will make facilities managers more accountable for energy use in the buildings they manage, for example, through the implementation of regular building level performance reporting.

4. Biodiversity

Natural England performs an independent, technical function with duties to advise government and others, including local communities, about biodiversity. Critical to this is our ability to translate a wide range of scientific and technical information into practical advice others can use.

We are nominated as government's lead body for the implementation of Biodiversity 2020 on behalf of government, for which a key piece of work completed this year has been development of a comprehensive Delivery Review of the Biodiversity 2020 Strategy. The review provides a detailed analysis of the current situation against the outcomes in the strategy, the actions required to achieve the outcomes and the delivery trajectory to 2020.

Natural England manage 143 National Nature Reserves across England, each of which has a five year management plan describing the biodiversity and geodiversity interest of the site and setting out how it is managed for nature conservation, public access and awareness.

5. Sustainable Procurement

We introduced a procurement policy in 2007 and this is published on our website together with our policy on food and details of UK Government Timber Procurement Policy.

Our procurement procedures have been developed to ensure sustainability is integrated throughout the procurement process. A sustainable risk assessment is applied to all projects over £5k. For contracts over £40k we develop a procurement strategy which includes questions

regarding supplier sourcing and specification development. Sustainability Risks analysis includes identification of risks against environmental and socio-economic issues and includes alignment to Greening Government targets. The sustainable procurement process is fully integrated into the ITT, specification guidance and evaluation model (where appropriate). There is a default standard paragraph in the ITT as a minimum requirement.

On 1 October 2014 Natural England's Procurement Team transferred to Defra's newly formed directorate, Network Corporate Services (NCS). The new procurement team in NCS is delivering a single service to customers and is bringing together best practice from across the Defra network. It is developing common policies, processes and systems and this will lead to a refreshed, common approach to sustainable procurement.

Notes

- 1 Building energy consumption/emission data from January 2014 to December 2014 (the latest full year of Greening Government Commitment data provided by Defra at the time of writing).
- 2 Travel data for April 2014 to March 2015, based on our 14/15 travel carbon reporting tool.
- 3 Waste and water data from January 2014 to December 2014 (the latest full year of Greening Government Commitment data provided by Defra at the time of writing).
- 4 Waste management on the Natural England estate is undertaken through our landlords and their contractors. It is not possible to disaggregate the expenditure on waste management from that provided for other tenants in our shared offices.
- 5 Defra is responsible for reporting and paying for the consolidated CRC return and these recharges are approximations based on the apportionment of floor space occupied. Data for 2013/14 as 2014/15 data isn't available until August 2015.

ISBN 978-1-4741-1785-2



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