



Annual Report and Accounts

1 April 2010 to 31 March 2011

www.naturalengland.org.uk



Natural England

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1 April 2010 to 31 March 2011

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Foreword

Last Autumn 190 nations met in Nagoya, Japan to reaffirm their commitment to conserving wildlife and restoring natural systems, including our own. Governments agreed a new approach to the natural environment – an approach that focuses on reconnecting people with nature; on protecting natural assets; and on the opportunities offered by a greener economy.

This followed hard on the heels of the UK Lawton Review of nature conservation which identified the need to create ecological networks to help the natural world to adapt to change and restore biodiversity at the landscape scale. The government's recently published Natural Environment White Paper takes up these challenges and provides an exciting opportunity to renew and refresh our approach to nature.

A quick look at some of the achievements set out in our Annual Report highlights what the power of partnerships can deliver.

- 96 per cent of our premier wildlife sites, Sites of Special Scientific Interest, are now in a favourable or recovering condition, up from 73 per cent in 2006, thanks to the ongoing support of the over ten thousand private landowners – including many in the farming community.
- Almost 70 per cent of agricultural land is now covered by agri-environment schemes up from just 45 per cent in 2006.
- We have secured over 77,000 hectares of Biodiversity priority habitat through appropriate Higher Level Stewardship management options.
- We launched a new Uplands Entry Level Scheme and completed agreements on fifty per cent of Severely Disadvantaged Area (SDA) land, providing much-needed incentives for farmers and security for sensitive habitats.
- We've focused on making our schemes more flexible, more responsive to local needs, and more customer-friendly. People are noticing the difference. Last year saw an 18 per cent increase (to 84 per cent) in our positive rating for customer satisfaction amongst Environmental Stewardship customers. Entry Level Scheme holders are renewing in large numbers and we've seen unprecedented interest in High Level Schemes.
- Last year the programmes we've developed to connect people to their natural environment started to come to fruition. Over 600,000 children experienced and enjoyed closer contact with the natural world; along with tens of thousands of adults through walking, gardening and volunteering schemes. We also revamped nine of our most highly visited National Nature Reserves to improve visitors' experiences. This work remains vital as we seek to tackle the root causes of environmental degradation by broadening the base of those involved in and benefitting from the natural world.
- Our work to revise the profiles of England's 159 National Character Areas (NCAs) has an important part to play in this – helping people to understand the richness and diversity of their local landscapes; and providing them with the information to develop shared visions for the future of their local area.

- Last year also saw significant milestones reached in safeguarding the marine environment - submissions have been made for new European protected areas in English waters; and huge progress made in identifying a suite of Marine Protected Areas. No other country in the world has attempted to engage so many people in developing plans for marine protection on such a large scale before.
- To demonstrate our commitment to tackling climate change we've halved our carbon emissions, reducing our estate, cutting travel, and transforming the way we go about our business.

In a year of considerable change and substantial reform our achievements are considerable and we would like to take this opportunity to thank all those who have given their professionalism, commitment and determination - to staff at Natural England who have worked tirelessly through a period of uncertainty, including those to whom we have wished farewell; to the hundreds of businesses and landowners who've worked hand in hand with us; and to the tens of thousands of people in communities and voluntary organisations across the country who've given their time, energy and expertise.

Natural England's priorities for the coming years, as set out in our Corporate Plan, take forward this approach – recognising the importance of local knowledge and expertise; the power of community action; and the need to integrate the environment with the economy. We are committed to further improving the services we offer; on forging stronger relationships with partners in the business and

in the voluntary sector; and on collaborating more closely with colleagues across the Defra network, most notably the Environment Agency and Forestry Commission.



With the NEWP 'green print' to guide us, we look forward to safeguarding our natural heritage for generations to come and securing long-term investment in the natural capital on which future prosperity depends.

Helen Phillips

Dr Helen Phillips
Chief Executive,
Natural England

Poul Christensen

Poul Christensen
Chair,
Natural England

Introduction

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

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

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

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

It also outlines 12 objectives that provide the focus for our delivery during the period of our Strategic Direction.

Our *Corporate Plan 2010/11* described 35 targets that we needed to deliver to achieve our outcomes and objectives. Our targets respond to the full range of government policies and programmes, in particular those in the Defra family.

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

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

Shrill carder bee



© Natural England/Mike Hammett

Outcome 1

A **healthy** natural environment

England's natural environment will be conserved and enhanced

Why we are doing it

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



Tree sparrow

Highlights in our fifth year

- 1** Over 96 per cent of the area designated as Sites of Special Scientific Interest (more than a million hectares) is now in favourable or recovering condition, exceeding this year's target and up from 93 per cent last year.
- 2** We delivered 4,643 Condition Assessments to complete the six year assessment cycle of all sites which ensures that the evidence on Sites of Special Scientific Interest condition is robust and up to date.
- 3** We created 1,715 hectares of new Biodiversity Action Plan habitat from land (excluding arable field margins) previously subject to intensive agriculture.
- 4** We enabled farmers to create 10,000 hectares of farmland bird habitat through Higher Level Stewardship options. This target includes arable field margins as well as other habitat options such as winter stubbles. Farmland Bird Habitat is transitory providing shelter, summer and winter feeding and nesting areas for farmland birds which delivers clear outcomes for increasing their populations.
- 5** We secured over 77,000 hectares of Biodiversity priority habitat into 'recovering' status through appropriate Higher Level Stewardship (HLS) management options. We expect this HLS land to move into 'favourable' status in due course.
- 6** Over 80 per cent of species for which Natural England is taking a lead role are meeting our Species Recovery Programme objectives.
- 7** We have designated one new Site of Special Scientific Interest, enlarged three more and de-notified three as part of implementing our notification strategy.
- 8** We have adopted England's 159 National Character Areas (NCAs) as the basis for an integrated landscape framework. We have produced exemplar profiles and statements of environmental opportunity for 8 of these and we have prepared a further 72 profiles.



South Downs National Trail

9 We have consolidated our review of our evidence across landscape, geodiversity, soils and the historic environment to identify priority areas for new evidence projects.

10 We have supported the foundation of the new South Downs National Park (which formally came into being on 1 April 2011) and have completed the first stage consultations on proposed extensions to the Lake District and Yorkshire Dales National Parks.

11 We have spent almost £9 million on Areas of Outstanding Natural Beauty (AONBs) sponsorship this year to deliver a broad spectrum of projects outlined in AONB management plans, working in partnership from local to international level, to deliver benefits for the natural environment. We have now transferred our AONB sponsorship responsibilities to Defra.

12 We have provided our recommendations to Government for 10 new European Marine Sites, and are on track to deliver Marine Conservation Zone (MCZ) recommendations to the agreed revised timetable of January 2012, with over 100 possible MCZs identified so far by the regional projects in their 3rd iteration.

13 We have responded to the majority of casework within our 95% target, and have delivered conservation advice packages on EMS to assist relevant authorities in managing risk to site features, supported by a risk-based collaborative monitoring programme across all European Marine Sites (EMS).

The use and management of the environment is more sustainable: Working with the Moorland Association and Weardale Estate in the North Pennines case study

A key national target established in our Strategic Direction was to deliver 95 per cent of the Sites of Special Scientific Interest (SSSI) area into a favourable or recovering condition by December 2010 and their health and resilience monitored and maintained thereafter. One of the biggest achievements in SSSI improvement has been the turnaround in the condition of grouse moors. Covering 17 per cent of the area of all SSSIs, many of these iconic landscapes were damaged during the 20th century by the combined effects of inappropriate grazing, heather burning, wildfire and the drainage of blanket bogs. More than 9,000 km of drains were dug in the moorlands of the North Pennines alone.

Today, the Moorland Association and its members have played a central role in helping us deliver one of the biggest SSSI success stories in recent years, and now 96 per cent of grouse moors are in favourable or recovering condition, compared to only 25 per cent in 2004. The development of new management techniques, including the adoption of a new code of conduct on burning, is helping to restore the diversity of grouse moors and there are a range of encouraging projects in action.

On the Weardale Estate in the North Pennines, for example, the blanket bog habitat of the Moor House and Cross Fell SSSI has been considerably enhanced through the work that has been carried out over a number of years with the Estate and with the North Pennines AONB's 'Peatscapes' project. In 2010, a new HLS agreement was signed with the Estate and its tenant. This has enabled further drain-blocking on blanket bog to take place, allowing a further 1,300 ha of moorland to be restored. Improving the condition of this habitat has improved prospects for wildlife, but has also strengthened the vital environmental services – such as natural carbon capture – that are delivered from this remote part of the North Pennines.

© Natural England



The response to drain blocking – an immediate rise in water table, the start of bog restoration



South West Farmland Bird Initiative case study – A Partnership approach to success case study

Natural England is working with our partners including Campaign for the Farmed Environment (CFE) local liaison groups to halt the decline in Farmland Bird populations. We have helped to establish the South West Farmland Bird Initiative, an exciting four year partnership project designed to address a locally agreed priority, to help reverse the decline of farmland birds across Wessex. The initiative is focused on areas in Gloucestershire, Wiltshire and Dorset that have been identified as “hotspots” for six increasingly rare farmland bird species known as the “Arable Six” – grey partridge, lapwing, turtle dove, yellow wagtail, tree sparrow and corn bunting which are in decline at a UK level.

Partnership working has been the key to the project’s success with Natural England working closely with a host of environmental bodies and the farming community (RSPB, Dorset AONBs, Defra, NFU and CLA), to provide suitable nesting habitat, seed food during the winter and early spring, and insect-rich foraging habitats.

Four sister projects work together under the umbrella of the initiative, each led by a different partner organisation. A dedicated project officer provides practical advice to farmers on how they can best use the Environmental Stewardship scheme to help farmland birds and the plants and animals associated with the arable landscape.

The initiative’s way of targeting and it’s approach to helping farmland birds has now been adopted across England as a way to make the difference for farmland birds in arable/mixed landscapes, using Environmental Stewardship as the tool to provide the key habitats that farmland birds need in order to thrive. The initiative has also developed strong



© Tim Marlow

Grey partridge

working links with the CFE and the farming community has responded positively to the way partner organisations are working together to deliver a consistent message for farmland bird conservation.

Preliminary results have been positive and there are encouraging signs that species are benefiting from the work that has been done. The five pairs of corn bunting that are now breeding for the first time on Whittington Lodge Farm in the Cotswolds are a very real symbol of what is being achieved.

For more details for the South West Farmland Bird Initiative please visit www.swfbi.org.uk

Our thanks also go to our partners and stakeholders within The South West Farmland Bird Initiative, FWAG, GWCT, Cotswolds Conservation Board, North Wessex Downs, Plant Life, The South West Wildlife Trust, Cranborne Chase and West Wiltshire Downs, Wessex Water and agronomists.



© Natural England/McCoy Wynne

Outcome 2

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

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



Pond dipping at Queen Elizabeth Country Park

Why we are doing it

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

Highlights in our fifth year

- 1** Nearly 678,000 under 16 year olds have participated in the 'One Million Children Outdoors' programme, exceeding the annual target by 50 per cent. This includes almost 300,000 children visiting farms in the Educational Access option of the Higher Level Environmental Stewardship Scheme and; over 56,000 children participating in National Nature Reserve outreach events.
- 2** Over 77,000 people from areas of deprivation were given access to the natural environment through externally funded Access Schemes, including approximately 13,000 disabled people; 16,000 black and minority ethnic people; and 15,000 17-24 year olds.
- 3** We awarded nearly £10 million under the Access to Nature, Aggregates Levy and Natural Assets schemes. The schemes this year have benefited 160,000 children, and another 531,000 countryside visitors.
- 4** The Weymouth Report on new coastal access rights on 30 km of Weymouth Coast was submitted to the Secretary of State on 22 March.

5 We published the first annual Monitor of Engagement with the Natural Environment (MENE) report, which provides data on how people use the natural environment in England and will assist in making informed decisions in developing or promoting access to the natural environment.

6 We completed the divestment of our Scout's and Cubs Naturalist Badge to a new partnership between the National Trust, the Wildlife Trusts and Natural History Museum, and the divestment of our Big Wildlife Garden website to a new partnership between the Wildlife Trusts and the Royal Horticultural Society.

7 We have recruited 397 new volunteers exceeding our outreach recruitment target by 34 per cent and exceeding our habitats and species volunteers' recruitment target by 230 per cent. Our volunteers contributed over 198,000 hours of their time in support of our work.

8 Nine of our most highly visited National Nature Reserves (NNRs) were upgraded to meet essential standards for visitor facilities and services, with a further 4 NNRs substantially improved and due for completion in early 2011/12.

High Weald Heroes Project case study

High Weald Heroes is an innovative primary school education programme which helps teachers use the High Weald Area of Outstanding Natural Beauty's (AONB) rich landscape heritage as part of the school's curriculum.

Led by the High Weald AONB Unit, The High Weald Heroes programme has been running since 2007 and it continues to grow with support from a wide range of partner organisations. Natural England has been a key partner in this project for several years, providing funding and making links with local landowners offering educational access through Environmental Stewardship. We work closely with a range of other funding organisations – including the Heritage Lottery Fund, Interreg and the 18 organisation Weald Forest Ridge Landscape Partnership. Joint working across these organisations has been able to support the programme in very tangible ways including hosting events, sharing resources, providing staff and direct funding.

Together, the partnership of funding organisations supports the work of an education officer who provides a range of activities from themed assemblies to workshops, from outdoor learning, 'High Weald Welly Walks', to downloadable education resources. All High Weald Hero schools receive an attractive wooden High Weald Heroes plaque and a partnership newsletter.

To date over 62 schools have joined the programme and 3,500 children have discovered why the High Weald's essentially medieval landscape is special. They have also gained an understanding of how this landscape can be cared for by everyone who lives, works and visits it.



© High Weald AONB Unit

Children carrying out fieldwork in a meadow and finding out the importance of wildflower grasslands





© Natural England/Mike Kipling

Outcome 3

Sustainable use of the natural environment

The use and management of the environment is more sustainable

Why we are doing it

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

Highlights in our fifth year

- 1** We have provided increased amounts of environmental advice to local and regional planning bodies on renewable energy capacity assessments and have improved the quality and consistency of our advice on wind energy by making our guidance more widely available.
- 2** We have provided extensive technical advice to Defra on the Common Agricultural Policy (CAP) reform issues, in particular the proposed transitional arrangements and potential greening of Pillar 1.
- 3** We launched the new Uplands Entry Level Scheme (UELS), completing agreements on almost 644,000 hectares of Severely Disadvantaged Area (SDA) land, exceeding the minimum target of 505,000 hectares. Fifty percent of all SDA land has now joined the scheme in only its first year of operation.
- 4** We continued to process payments to farmers throughout the year, well within agreed deadlines, spending more than £386 million of European Union and UK Rural Development Programme funds to support the farmed environment and the public's enjoyment of it – improving again on last year's record achievement.
- 5** We assessed over 1,000 Higher Level Stewardship agreements to determine the environmental benefits they are delivering – demonstrating our continued commitment to agreement quality and scheme outcomes.
- 6** We renewed almost 12,000 Entry Level Stewardship agreements that had completed their first five years in the scheme, covering almost 1,500,000 hectares whilst achieving an 86 per cent conversion of expiring Countryside Stewardship and Environmentally Sensitive Areas Schemes agreements into Environmental Stewardship.
- 7** The jointly managed Natural England-Defra Environmental Stewardship Evidence Programme has delivered a comprehensive range of activities that demonstrate the value and effectiveness of agri-environment schemes to the natural environment.
- 8** We delivered over 23,000 advisory visits through the Entry Level Stewardship Training and Information Project and our in-house programmes, working with the Campaign for the Farmed Environment by co-ordinating their delivery with ours.



9 We have established a partnership role with Defra and the Environment Agency on freshwater environment issues such as the jointly established Pitt Working Group to manage the risks of flood and coastal erosion through working with natural processes.

10 We responded to 95.5 per cent of all planning casework consultations on time, exceeding our target.

11 Amongst our targets designed to secure more outcomes through our interventions in the planning system, we secured 4,983 hectares of high quality green infrastructure against a target of 3,274 hectares; 271 kilometres of new access routes against a target of 250 kilometres and 65 plans that secure enhancements for Biodiversity Action Plan species against a target of 50 plans.

12 We have supported Defra by engaging with Europe on the reform of the Common Fisheries Policy, promoting better join up between MPA designation and the Marine Strategy Framework Directive, and have continued to engage closely with industry stakeholders, sharing best practice on wave and tidal energy, and supporting more than 5 fisheries through certification schemes.

Withypool Common HLS Agreement case study

Withypool Common is a registered common in Somerset, consisting of 765 hectares of upland moorland that is designated as a Site of Special Scientific Interest (SSSI). Largely due to excessive scrub and problems with under grazing, the condition of the majority of the common was officially classed as “unfavourable” with no indication that its condition was improving.

During 2010, the local farmer entered into a Higher Level Stewardship (HLS) agreement following discussions with Natural England, the commoners and other partner organisations. This led to the creation of a sustainable grazing regime balancing the needs of both nature conservation and the farmer, whilst reducing the problem of under grazing. We also produced a burn plan and negotiated a programme of bracken and European gorse control to deal with the issue of excessive scrub. Significant improvements have been achieved and there is growing recognition that the continuation of the HLS agreement will result in improving the condition of the moorland. The unfavourable “no change” condition that Withypool has lived with for several years has recently been upgraded to a status of “recovering”.

Looking forward, we have established a Moorland Implementation Plan, which sets out the work required to successfully achieve the objectives of the HLS agreement and provides the commoners with a shared vision of what needs to be done to further improve the moorland’s condition over the next 10 years.

Many parties have an interest in this upland landscape and it is through their concerted efforts that there is now a growing sense of optimism about its future.



© Natural England/Mike Pearce



© Natural England/Mike Pearce

Before (above) and after (below) gorse control



© Natural England/McCoy Wynne

Outcome 4

A **secure** environmental future

Decisions which collectively secure the future of the natural environment

Why we are doing it

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

Highlights in our fifth year

1 We worked intensively with Defra and the Arms Length Bodies network to assure the quality of three pieces of primary research:

- a) Report on the wildlife, landscape and carbon benefits of Environmental Stewardship. Cost-benefit ratios were developed for the scheme which were used in submissions on the spending review;
- b) Report on the benefits of Sites of Special Scientific Interest in England; and
- c) Report on the value of delivering UK Biodiversity Action Plan targets.

2 We have worked closely with Defra to develop options for implementing biodiversity offsets. The design of a scheme is now sufficiently advanced to enable implementation by local authorities and this mechanism is included in the Natural Environment White Paper.



© Jenny Loring

3 We have completed the planning phase of the three upland ecosystem pilot projects by engaging key stakeholders in assessing the options for the services and estimating the economic value of the benefits they provide and published an implementation plan for the Bassenthwaite catchment.

4 We have supported the implementation of the Climate Change Act by providing expert advice to the National Climate Change Risk Assessment and publishing an interim report on the climate change risks to our own delivery.

5 We organised a 2 day international scientific conference with the British Ecological Society on Adapting Conservation to a Changing Climate.

6 We have established a series of National Nature Reserves as sites for the long-term monitoring of environmental change.

7 We have completed a series of pilot studies on climate change vulnerability and adaptation in National Character Areas which is being used to inform the revision of the 150 National Character Area descriptions and provides a basis for local partnerships to develop local climate change adaptation plans.

8 We have worked with local partners and developed a tool for soil carbon management (with the National Trust), a tool for assessing vulnerability to climate change (with partners in the South East) and guidance on working with nature to adapt to climate change (in the East Midlands).

9 We have published '*Mapping Values: the vital nature of our uplands*' – which through maps, describes, many of the benefits people derive from the upland environment and how we might secure these for the future. This builds on our '*No charge?*' report which set out the contribution that nature makes to our economy, such as clean water and carbon storage, to ensure that its value is recognised.

10 We have worked with EA and FC and a local authority sounding board to develop a single source of advice on approaches to adapting to climate change as a web based handbook which will be completed in 2011.

Ecosystem Service Pilots Summary case study

An important objective of Natural England is to develop strong partnerships necessary to secure the long term future of the natural environment. We have led three pioneering pilot projects to show how the 'ecosystem approach', a strategy for integrated sustainable land and water management, might work in practice. The pilots (Bassenthwaite Lake catchment, South Pennines, South West Uplands) involve Natural England working with some of our key partners and stakeholders (the Environment Agency, National Parks and the Forestry Commission, as well as local landowners and the private water companies United Utilities, Yorkshire Water and South West Water).

The partnerships have identified the current benefits (ecosystem services) and considered the opportunities for further benefits in the future. The ecosystem benefits include providing people with food, clean water, protection from flooding and the countryside.

Natural England has worked with the local partnerships to develop a shared view on future land management by involving a range of interested parties. For example, 70 individuals (20 organisations) have contributed to a future management plan for Bassenthwaite. Natural England has used economic valuation to show how much these benefits are worth to society and identify the options with best overall value.



© Natural England/Paul Clendell

Walking on Dartmoor

Each pilot now has a plan which describes the actions needed to secure these benefits; this is being used to inform a range of public and private funding opportunities including new Higher Level Scheme agreements.



Visitors to the Natural England partnership stand, LAMMA event

© Natural England/Neil Henderson

Capability

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

What we strive to do

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

Highlights in our fifth year

1 We have implemented a major reshaping of Natural England to deliver a £42 million Grant-in-Aid reduction by 2014 and our new business model was fully implemented on 1 April 2011, aligned to our refreshed Corporate Plan and in accordance with Spending Review 2010 funding from Defra.

2 We have delivered £5.2 million of efficiencies this year through three key strands of activity: our strategic procurement contracts, our IT strategy and our estates rationalisation.

3 We have shrunk our estate from 63 to 31 offices since 2006.

4 We have reduced our organisational carbon footprint by 54.6 per cent in just three years meeting our 50 per cent target in January 2011. Two thirds of this saving is from our estates strategy through measures such as office relocations and energy efficiencies and one third is savings on travel through the use of collaborative technologies.

5 We have achieved more than £8 million in external funding this financial year and we are reinvesting this in front line delivery. This means that we have exceeded the £15 million 3 year growth target by over £4 million.



© Robert Goodison

6 We met our key published customer service standards to enquiries, telephony and access to information in at least 95 per cent of cases.

7 58 per cent of our people leaders are trained and certificated in the Institute of Occupational Safety and Health (IOSH) Managing Safely Programme and we are maintaining a 100 per cent pass rate.

8 91 per cent of staff feel that their line manager is being open and honest about the changes taking place in Natural England as a result of the Government's Spending Review 2010.

9 70 per cent of staff say that Natural England is a good place to work.

10 We achieved a 96 per cent familiarity rating with our stakeholders in our annual survey.

11 We achieved an 18 per cent increase (to 84 per cent) in our positive rating for customer satisfaction amongst Environmental Stewardship customers.

12 Building on improvements delivered in previous years, our 2010 stakeholder survey showed that the percentage of partners with favourable impressions of Natural England increased by a further 7 percentage points to 72 per cent.

13 73 per cent of partners felt that Natural England listens well to them and to its other stakeholders and 85 per cent of partners rated staff knowledge of their work areas and the passion and commitment they display to delivering environmental outcomes as good or very good.

Achieving our Carbon target



© Natural England

School group on Lindisfarne NNR

In January 2011 we successfully delivered on our commitment to reduce our organisational carbon footprint by 50 per cent in just 3 years, demonstrating our credibility as a leading environmental organisation. Our latest data shows that we have reduced our carbon footprint by 54.6 per cent (3,786 tonnes) against our 2007 baseline.

In doing so, we have transformed Natural England into a business that places carbon at the heart of its decision making and one where everyone feels ownership and responsibility for delivering the target. This has been supported through developing carbon accounting practices in line with international carbon management standards – as evidenced by our achievement of a two year Carbon Trust Standard certification and through third-party verification by PricewaterhouseCoopers.

Throughout, the principle was that reductions would be achieved as ethically and as fairly as possible, without any carbon offsetting, loss of customer service or transferring of a carbon burden onto suppliers. It was also established that the programme would need to be cost-neutral within four years.

Our results have generated interest amongst other organisations, and through reducing our carbon usage we have successfully delivered cost savings amounting to £1.75 million per year as well as improving the work life balance of many of our people.

Looking Ahead – Our priorities

The government has clearly set out ambitions for the natural environment. It recognises the huge contribution that the natural environment makes to the wellbeing and security of people, to communities, to prosperity and to economic growth. The government also recognises a number of pressing challenges to the health of the natural environment.

The Natural Environment White Paper identifies the main trends affecting the natural environment – global population increases; economic growth and increased demand for natural resources; and the impact of climate change, especially on rainfall patterns and water resources. In response to these challenges, the government has identified the need to reduce global poverty, to restore the global financial system and to reduce greenhouse gas emissions and dependence on fossil fuels. These global changes are likely to put pressure, directly or indirectly, on the natural environment in England.

Our priorities flow from the global plan for biodiversity agreed at Nagoya; the *'Making Space for Nature'* Report and the ambitions set out in the Natural Environment White Paper and the England Biodiversity Strategy. Our priorities are to:

- reconnect people with nature;
- protect and manage our natural assets; and
- maximise the opportunities offered by a greener economy.

We will deliver these priorities through four key themes which reflect the new delivery landscape, our role and how we will work in future:

- **Delivering with communities** – we will focus on delivering landscape, habitats and species priorities, and realising social and economic benefits from the environment, with and through local communities and partnerships.
- **Customers** – we will continue to improve the way we work with customers and partners and the service we provide – in particular the handling of the applications and payments for the incentive schemes we administer. We will also build broad partnerships at local and sub-national level to realise benefits and secure additional contributions to the natural environment.
- **Science and Evidence** – we will collaborate on, and share all of our knowledge of the natural environment to widen and deepen understanding more widely across society.
- **Capability** – we will continue to develop as a modern and effective public body and ensure the people we have and the skills and processes they use maximise the benefits for the natural environment and enable effective engagement with and empowerment of local partnerships.

Target Setting and Performance Assessment in Natural England

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

Our five year Strategic Direction provides the framework for setting the in-year measures we present each year in our *Corporate Plan*. This process began in the autumn of 2009 with us seeking a strategic policy steer from Defra and other government departments. We followed this with a process of target setting and challenge by senior officials in Defra to ensure the draft plan we present to our non-Executive Board is measurable, ambitious and will provide good value for the public money allocated to it. Before publication, our plan, its key performance indicators and budgets are approved by Defra Ministers.

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

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

Progress towards our Strategic Direction as at 31st March 2011

C Green	100 per cent of the indicators for the target delivered
AG Amber Green	Over 90 per cent of the indicators for the target delivered
AR Amber Red	Over 80 per cent of the indicators for the target delivered
R Red	Less than 80 per cent of the indicators for the target delivered

KEY

A healthy natural environment

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

Target	Status	Progress
<p>Landscape and Geodiversity An understanding of landscape, geodiversity and the historic environment, and of the benefits they provide, is embedded in policy and practice affecting England's natural environment and inspires increased public engagement.</p>	Green	<p>All agreed targets have been achieved. We have explored options for monitoring landscape change across England, agreeing to pilot a new project in 2011-12. Particular effort has been put into increasing understanding of the National Character Area (NCA) framework externally and internally. 50 per cent of NCA objectives have now been drafted and will become an important tool for shaping delivery in future years and we have started working with local communities to test whether these help them meet their aspirations for the landscapes where they live.</p> <p>This work, along with the outputs from other landscape projects such as LiaNE (Landscape – an integrated approach for Natural England), regional landscape scale projects and joint working with those delivering biodiversity targets, has increased awareness of the value of taking an integrated landscape and ecosystem approach. This approach is now embedded across Natural England and is contained within emerging policy from Defra. We successfully delivered a national landscape award scheme with Defra to recognise landscape and geodiversity partnership achievements and delivered the first UK conference promoting the implementation of the European Landscape Convention. We have helped drive forward work on developing a methodology for seascape characterisation to link landscapes with the marine environment.</p>

Target	Status	Progress
<p>Protected landscapes Protected landscapes and areas of importance for their geodiversity are conserved and enhanced through our leadership, direct intervention and our support for partnerships and key stakeholders.</p>	<p>Green</p>	<p>All targets achieved as planned. We successfully carried out our statutory powers and discretionary duties with respect to National Parks and Areas of Outstanding Natural Beauty (AONB) including supporting the foundation of the new South Downs National Park, which formally came into being on 1 April 2011. The Protected Landscape Designation Assessment guidance has been ratified providing a robust approach for dealing with the assessment of proposed new designations and boundary reviews of National Parks and AONBs.</p> <p>We have completed the first stage consultations on proposed extensions to the Lake District and Yorkshire Dales National Parks and our Board has agreed to proceed with the next consultation stage. Our support for delivery with AONB partnerships has continued during the transfer of AONB sponsorship responsibilities to Defra. We also ensured technical guidance and support for the management of the Jurassic Coast World Heritage Site and on-going condition monitoring. The Durham Heritage Coast project, which won the national European Landscape Convention award, will go forward to the European finals later this year.</p>

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

Target	Status	Progress
<p>Biodiversity Increase the proportion of Natural England led priority habitats in beneficial management and the proportion of Natural England led priority species meeting recovery plan objectives, while capturing the contribution of Environmental Stewardship to the Government's PSA target for farmland birds.</p>	<p>Green</p>	<p>This year we have met all of our Biodiversity targets but moving forward, we still have a significant amount of work to do. We have secured 1,715 hectares of new Biodiversity priority habitat including Wetland Vision projects against a target of 1,340 hectares. At year-end we were on track with 80.7 per cent of our Species Recovery Programme projects against a target of 80 per cent and had achieved over 10,000 hectares of Higher Level Stewardship (HLS) options for farmland birds against a target of 7,500 hectares. We brought a further 77,361 hectares of Biodiversity priority habitat into appropriate Higher Level Stewardship (HLS) management options against a target of 80,000 hectares, in addition to the 24,000 hectares we delivered ahead of schedule last year. It reflects further improvement in our ability to achieve spatially-targeted biodiversity outcomes which deliver against England Biodiversity Strategy habitat targets, and leaves us well-placed to implement landscape-scale delivery as recommended in the 'Making Space for Nature' report.</p>
<p>Sites of Special Scientific Interest (SSSIs) 95 per cent of SSSI area in favourable or recovering condition by December 2010 and their health and resilience monitored and maintained thereafter.</p>	<p>Green</p>	<p>Over 96 per cent of the area designated as Sites of Special Scientific Interest (more than a million hectares) is now in favourable or recovering condition, up from 93 per cent last year. This exceeds the December 2010 SSSI target of 95 per cent. A national report recognising the contribution of individual land managers, regional and national partners to this significant achievement was launched in January at a successful event in London which our sponsoring Minister, Richard Benyon MP attended. The condition of Natural England owned/managed National Nature Reserves has also exceeded the 97 per cent target.</p> <p>We undertook 4,643 Condition Assessments to complete the six year assessment cycle of all sites and ensuring that the evidence on Sites of Special Scientific Interest condition is up to date. We have designated 1 new Site of Special Scientific Interest, enlarged 3 more and de-notified 3 as part of implementing our notification strategy.</p> <p>Progress has been maintained against the plan to deliver on the agreed recommendations from the Public Accounts Committee inquiry into the SSSI target. All actions are now completed and are embedded into delivery as usual.</p>

Our marine environment is better understood, valued and protected.

Target	Status	Progress
<p>Marine Protected Areas Take action to secure designation of all English Marine Protected Areas by December 2012, as part of an ecologically coherent UK Marine Protected Areas network.</p>	<p>Amber Green</p>	<p>Good progress has been made towards the establishment of a network of Marine Protected Areas (MPAs) in English waters. Natural England submitted recommendations to Defra for 8 Special Areas of Conservation (SACs) and 2 Special Protection Areas (SPAs), alongside impact assessments to inform Government of the socio-economic impacts of designation. We undertook a comprehensive programme of dialogue and meetings with stakeholders, led by our local teams, and our final recommendations were approved by Defra and submitted to the European Commission on 20 August 2010. A revised timetable was agreed for the Marine Conservation Zone (MCZ) Project by the MCZ Board in-year, and the project has made good progress with the third iteration reports delivered by the four Regional MCZ Projects on 28 February, identifying over 100 possible MCZs. More than a million people are participating in the project.</p>
<p>Sustainable Marine Environment Secure sustainable management across the marine environment through providing timely and appropriate responses to statutory casework, and undertaking monitoring and surveillance.</p>	<p>Green</p>	<p>A risk-based monitoring programme across existing European Marine Sites (EMS) was implemented in 2010/11, along with baseline monitoring of new sites, and has exemplified a collaborative approach across Defra's marine delivery landscape. We established close joint working with Cefas which resulted in two successful cruises by the research vessel Cefas Endeavour last year, providing important new baseline Marine Protected Area (MPA) survey and monitoring data and generating significant efficiency savings. The rapid risk review of new European Marine Sites and delivery of our conservation advice packages is on target for issue to Relevant and Competent Authorities from April 2011 to an agreed revised timetable. The Lyme Bay and Torbay candidate Special Area for Conservation (cSAC) and Prawle Point to Plymouth Sound and Eddystone cSAC advice has been issued to assist the Marine Management Organisation (MMO) in developing management solutions.</p> <p>We published our site based risk report on existing EMS in November 2010, alongside Defra's publication of management recommendations, to assist Relevant and Competent authorities in developing and implementing plans to manage and mitigate risks posed by human activities. We have continued to build a robust evidence base on designation of, and impacts on, MPAs to support our work and that of partners and stakeholders. This has included in the publication in March 2011 of the European version of the Partnership for Interdisciplinary Studies of Coastal Oceans (PISCO) Science of Marine Reserves report. A marine evidence meta database has been developed and is now being quality assured. Our local teams continue to handle large numbers of licensing and consenting casework across a range of sectors, and we have responded to the majority of cases within the 95 per cent target.</p>

People are inspired to value and conserve the natural environment

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

Target	Status	Progress
<p>Understanding and Appreciation Increase the opportunities for new audiences to encounter nature closer to home; work towards reaching 1 million children; achieve a further increase in health walks and increase by 10,000 the number of people from selected areas of multiple deprivation accessing the natural environment.</p>	<p>Green</p>	<p>Highlights from this year include the publication of the first Annual Report from the Monitor of Engagement with the Natural Environment (MENE) survey and completion of the second survey year. Nearly 678,000 children participated in our One Million Children Outdoors programme exceeding our target of 450,000 by 50 per cent, a 6 fold increase on the 2008-09 baseline and making this the largest outdoor learning programme for children in the country. Notably, over 293,000 children visited 'working' farms through our Higher Level Stewardship/Countryside Stewardship schemes Educational Access schemes and other projects witnessed significant success in child participation; nearly 67,000 regular walkers participated in Walking for Health (WfH), below our annual target of 88,500, but achieved alongside complex negotiations to secure agreement for Department of Health to take the lead in the divestment process for the WfH programme.</p> <p>The Outdoors for All programme has enabled people from a wide diversity of social and cultural backgrounds to participate in activities from across Natural England's work. The Access to Nature grant scheme enabled over 77,000 people from areas of deprivation including approximately 13,000 disabled people; 16,000 black and minority ethnic people; and 15,000 17-24 year olds to participate in activities in the natural environment. In addition, WfH enabled over 2,000 disabled walkers and around 1,300 people from the worst areas of deprivation to experience the natural environment.</p> <p>Our work with Defra and the Department for Education has ensured that Natural Connections is included in the Natural Environment White Paper with activity focusing on a programme of partnership work across the sector to establish a national outdoor learning service.</p>
<p>Access Grant Schemes Deliver the Access Grant Schemes to enable more people from a wide range of groups and areas to enjoy the benefits of a vibrant natural environment.</p>	<p>Green</p>	<p>We have met all of our targets for making grant awards through the Access to Nature, Aggregates Levy and Natural Assets schemes. The awards made this year will support around 531,000 countryside visitors (including 160,000 children), based on indicators from our current projects, for Access to Nature, Aggregates Levy and Natural Assets schemes. We are continuing to engage at a strategic level with the Big Lottery Fund on the potential for a successor scheme.</p>

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

Target	Status	Progress
<p>People actively engaged Increase the contribution that a diverse range of people make to support National Nature reserves, local sites and species.</p>	<p>Green</p>	<p>We have met all of our revised targets this year, exceeding our target for new outreach volunteers by 34 per cent and our target for habitat and species volunteers by 230 per cent. The number of people regularly volunteering for Natural England is now 2,817.</p>
<p>Demonstrate & Advocate the Value of Volunteering A strong partnership with Defra and the Environmental Volunteering Group is in place with the capacity to build environmental volunteering and to demonstrate its value to the natural environment.</p>	<p>Green</p>	<p>We have delivered all measures asked of us this year. However, we were asked by Defra not to proceed with the Capacity Building Training Programme for volunteers due to Government Spending Controls on all new consultancy contracts. We have continued to collect the data required to produce the annual Volunteer Investment Audit (VIVA) audit on target in the first quarter of 2011/12.</p>

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

Target	Status	Progress
<p>Access infrastructure By 2011 we will develop a regional strategic understanding of our access infrastructure and champion strategies for quality access to quality environments.</p>	<p>Amber Green</p>	<p>Further to public consultation on the draft proposals, the Weymouth Report on new coastal access rights was submitted to the Minister on time. Negotiations to establish Memorandum of Agreement with the five lead coastal access areas have commenced. Defra asked us to defer work on the statutory review of maps of open country and common land for two years and is the reason for the Amber Green status for this target. We continue to carry out statutory open access revisions and reassessment of restrictions, delivering casework to statutory timelines. We have an agreed plan in place to review our future management of National Trails. We are on track with our partnership projects providing evidence to inform new ways of working with local communities with examples throughout the country of how network mapping evidence is being used to influence green space provision and quality.</p>
<p>Champion National Nature Reserves (NNRs) Work towards developing a series of 'Champion' National Nature Reserves (NNRs) which demonstrate the sustainable use and management of high-quality natural destinations, and ensure that the National Nature Reserve estate is fully integrated into the access infrastructure in each region.</p>	<p>Amber Green</p>	<p>Our plan for the development of "Champion" National Nature Reserves (NNRs) was scaled back in Quarter one due to a budget reduction and we end the year on track to deliver the revised plan. The project at Lindisfarne has continued to progress well: legal issues over the use of Higher Level Stewardship funding have been resolved and planning permission is in place to enable the development of new facilities in 2011/12 that will present this NNR as an outstanding visitor destination. At Shapwick Heath NNR a partnership group is now established and taking forward specific proposals to enhance visitor facilities as part of the broader Avalon Marshes programme. We are now reaching the end of a two year programme to provide a consistent standard of visitor infrastructure on 25 Destination NNRs (as the most visited sites under our management). As of end Quarter four, we have achieved this standard on 22 with some minor outstanding work to complete early in 2011/12 on the final three.</p>

Sustainable use of the natural environment

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

Target	Status	Progress
<p>Strategic Influence (Land and Water) Secure 850 ha of BAP habitat creation; 3,000 ha of high quality green infrastructure; 250km of new access; and enhancements for BAP species and landscape character in 50 plans through our inputs to national, regional and local land and water use plans.</p>	Green	<p>This year we set five new targets to secure more outcomes through our interventions in the planning system. As a consequence of our interventions we secured 4,983 hectares of high quality green infrastructure against a target of 3,274 hectares; 1715 hectares of new Biodiversity priority habitat against a target of 850 hectares; 271 kilometres of new access routes against a target of 250 kilometres; 65 plans that secure enhancements for Biodiversity Action Plan species against a target of 50 plans; and 42 plans that achieve protection or enhancement to landscape character against a target of 42 plans. We responded to 95.5 per cent of all planning casework consultations on time, against a service standard of 95 per cent.</p>
<p>Renewable Energy Ensure that the EU and UK regulatory and policy framework for the energy sector is successfully integrating low carbon and renewable energy with a healthy natural environment.</p>	Green	<p>Over the year we have made good progress to address the perception that the natural environment is a barrier to the delivery of national priorities for energy. Working closely with DECC and Defra as an active member of the Renewable Energy Deployment Environmental Issues Board has been key to that progress, including Natural England leading on development of a Concordat between environmental bodies and industry on improving early engagement. We have also worked productively with NFU on an advice note for maximising environmental benefits from solar farms and developed a constructive dialogue with National Grid over their approach to strategic planning. At a local level we have advised on renewable and low carbon energy capacity assessments and are ready to provide communities taking that forward with the environmental advice they need to make informed choices about their response to energy challenges. Overall we have moved towards designing environmental benefits into schemes rather than a focus on avoiding environmental damage: this has led to an improved relationship with the sector.</p>

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

Target	Status	Progress
<p>Agri-environment Development Increase the environmental effectiveness and efficiency of agri-environment schemes.</p>	<p>Green</p>	<p>We have made a major contribution to the future direction of land management schemes by providing Defra the advice and analysis that will inform the successor to the Rural Development Programme for England (RDPE). As well as the contribution to the mid-term evaluation, we contributed heavily to the Natural Environment White Paper and to the Making Environmental Stewardship More Effective (MESME) project.</p> <p>Our monitoring and research projects have been delivered according to the 2010/11 Evidence Plan, resulting in a more cost-effective and outcome focused programme. We have also been able to make significant savings by agreeing the transfer of the Environmental Stewardship monitoring and evaluation to RDPE Technical Assistance funding. Further efficiencies have been brought about by our work on developing and implementing Integrated Site Assessments (ISAs). ISAs bring together the Indicator of Success visits for Higher Level Stewardship schemes and condition assessments for Sites of Scientific Interest. As well as the internal resource savings, the ISAs reduce the burden for the customer.</p> <p>We have successfully advised and implemented a number of changes to Environmental Stewardship, including the changes required as a result of the EU Audit findings. Details of these changes were communicated widely across the farming industry and to our customers and stakeholders.</p> <p>We successfully developed ways to make Environmental Stewardship deliver better on climate change mitigation and adaptation, many of our proposals have been taken forward as part of MESME for implementation in 2011/12. We successfully launched the climate change website and leaflet, both aimed for advisers and agents offering farm advice for Environmental Stewardship.</p>

Target	Status	Progress
<p>Agri-environment delivery Deliver agri-environment schemes to produce environmental benefits.</p>	<p>Amber Green</p>	<p>A total of £57 million of Higher Level Stewardship (HLS) agreements had been set in train with farmers (up from £39 million in 2009/10), the highest figure in the history of the scheme. We actually delivered £41 million of new agreements, in order to live within the revised budgets stemming from the reduced funding settlement from Spending Review 2010. We managed this by reducing the cost of some agreements and, particularly, by carrying forward into 2011/12 the cases that we could no longer afford in 2010/11. Working closely with Defra on HLS priorities, next year we will offer a record number of new HLS agreements (2,400), focused more closely on the highest environmental priorities, including biodiversity and resource protection.</p> <p>We successfully launched the new Uplands Entry Level Scheme (UELS) and completed agreements on nearly 644,000 hectares of Severely Disadvantaged Area land, exceeding our target of 505,000 hectares. Conversion of classic agreements is at 86 per cent by area, comfortably ahead of the 80 per cent target agreed with Defra and good news for farmers coming out of ten year plus agreements under previous agri-environment schemes.</p> <p>We assessed 1,015 Higher Level Stewardship agreements to determine progress – slightly exceeding our target (of 1,000) and demonstrating our continued commitment to agreement quality and scheme outcomes.</p> <p>We have not hit the 70 per cent agricultural area coverage target. In fact, total coverage fell from 68 per cent to 67 per cent. This was primarily because of the rate of ELS renewals. Although we renewed 1.5 million hectares of ELS agreements that had completed their first five years in the scheme (11,618 agreements), many farmers delayed renewing their agreements, often by three months or more. So, whilst the overall renewal rate is around our target of 90 per cent, the delay in renewing means that just 67 per cent of agricultural land was under agreement at 31 March.</p>
<p>Land Management Advice Secure good environmental land management across all landscapes to maintain and strengthen ecological resilience and landscape character using advice, incentive and regulatory levers.</p>	<p>Green</p>	<p>We have delivered 23,309 advisory visits which is ahead of our revised target of 21,760 visits. Working collaboratively with and through some of our partners across the agricultural sector and embracing the Big Society theme, has been key to exceeding this target. One of the outcomes of those visits is a positive influence in the choice of options for those entering or renewing ELS agreements, making a strong contribution to one of the key aspects of the Campaign for the Farmed Environment (CFE).</p>

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

Target	Status	Progress
<p>Sustainable use of the sea Engage with government and industries to promote sustainable practice across the marine environment and to influence policy and planning.</p>	<p>Green</p>	<p>Natural England has continued to support Defra by engaging with Europe on the reform of the Common Fisheries Policy (CFP), using the European Nature Conservation Agencies network to build wider support for the UK Government position with other Member States and promoting better join up between Marine Protected Areas (MPAs) designation and the Marine Strategy Framework Directive (MSFD) to secure management measures through the Common Fisheries Policy. We have continued close engagement with the MPA Fisheries Coalition and the New Under Ten Fishermens Association, and our local teams have worked with more than 5 fisheries to support them through certification schemes, funding precedent setting Strategic Environmental Assessments to progress whitefish and shellfish management plans in Yorkshire & Humber. Throughout 2010-11 we have worked closely with offshore renewable developers and Relevant Authorities to develop guidance and share best practice. Natural England hosted an inter-agency workshop in September 2010, involving multiple stakeholders with the Countryside Council for Wales (CCW) and the Department of Energy and Climate Change (DECC), to share ideas and expertise on wave and tidal energy development in sensitive locations as a first step towards drafting joint Environmental Impact Assessment guidance for the sector. We have worked with CCW to share approaches for monitoring and mitigating tidal stream proposals to inform conditions that DECC will place on consents, and we are exploring co-location with Marine Conservation Zones (MCZs) with wind farm developers. We have engaged successfully with the Crown Estate and developers to inform the development of Round three offshore wind proposals as well as aggregate extraction plans. Good progress has been made on MSFD and we have provided expert advice to Defra to help determine targets and indicators to measure Good Environmental Status.</p>

A secure environmental future

Government's vision for the natural environment.

Target	Status	Progress
<p>Integrated Vision for the Natural Environment By 2011 produce a clear integrated vision for the natural environment.</p>	<p>Green</p>	<p>Implementation of our <i>Vital Uplands</i> vision for England's upland environment, launched in November 2009, has focused on working with partners and stakeholders in four key upland areas. Plans to deliver the ecosystem approach on the ground with land managers, as outlined in <i>Vital Uplands</i>, have been developed; working particularly closely with farming and water sectors to look at the delivery of a range of ecosystem services via sustainable land management. This has helped demonstrate that the ecosystem approach can engage local partners to develop an integrated approach to upland land management. <i>Vital Uplands</i>, and the work to implement it with upland land managers, has been influential in shaping the future direction in the uplands, reflected in Defra's 'Upland Policy Review' launched in March 2011.</p>

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

Target	Status	Progress
<p>Long-term Challenges for the Natural Environment Establish and communicate a compelling and robust perspective on the long-term challenges for England’s natural environment.</p>	<p>Green</p>	<p>As part of the continuing development of our horizon scanning, we worked with the Environment Agency (EA) and Defra to complete a detailed assessment of EA’s horizon scanning database and products, and produced a number of subject-specific horizon scanning reports for our specialists. In addition we produced one edition of our Challenges report early in the year. This incorporated the key messages from the Futures Exchange workshop on localism and updated the five key challenges in light of the results of our analysis of horizon scanning. We supported Defra in establishing a horizon scanning function at Cranfield University – a significant partnership initiative in the light of Arms Length Bodies Review. Our contacts with the Living with Environmental Change research partnership has helped secure support and make links to the research community. This will provide a platform for continued joint work and for pooling our resources with Defra and other partners to ensure programmes for the natural environment respond to emerging challenges and new understanding. Our futures work, including a new set of Scenarios to 2030, was used to help identify our evidence and research priorities and contributed substantially to our work on the Natural Environment White Paper.</p>
<p>Better Responses to a changing natural environment Inform and enable better responses to the changing needs of the natural environment.</p>	<p>Green</p>	<p>‘Delivering Nature’s Services’ is a programme testing the ecosystem approach in three upland pilots. Working closely with a wide range of partners both public and private, we have identified the current range of ecosystem services being provided and sought to reach a shared plan for safeguarding and enhancing these services in future. We have shown how ecosystem services can be placed at the heart of land and water management in the landscape.</p> <p>Each of the three pilots has demonstrated particular strengths. Bassenthwaite pilot has had excellent engagement with a range of stakeholders and some innovative ideas for new funding. The South Pennines is demonstrating good valuation working with the water companies and activity around the value of cultural services to local people. The South West has also commissioned engagements with farmers. We are finalising a shared delivery plan for each pilot which we will begin to implement through new Higher Level Stewardship agreements combined with partner funding.</p> <p>We are applying our experience of using an ecosystem approach to inform our work on the Natural Value Programme and Natural Environment White Paper.</p>

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

Target	Status	Progress
<p>UK Legislation We will work to ensure that the natural environment is central to the UK and EU climate change legislative and policy framework.</p>	<p>Green</p>	<p>The focus of our engagement with the UK's legislative and policy framework has been to support the government's National Climate Change Risk Assessment, by providing expert and technical support to Defra on biodiversity and ecosystem services. Working with Arms Length Body partners and in close consultation with a local authority sounding board, we are also providing input to a local authority web-based handbook which will be complete by autumn 2011.</p> <p>Our work with Anglian Water has provided valuable lessons on how the water sector operates and will have wider applicability for our desire to increase its engagement with business, industry and local authorities.</p> <p>Locally we have developed a range of innovative tools and products which will support climate change embedding within Natural England's functions, including biodiversity vulnerability mapping, land carbon management plans, and report on Adapting to climate change through natural interventions, which covers much of the ground planned in "Nature's Technology".</p> <p>Natural England volunteered to respond to the Climate Change Act Adaptation Reporting Power and in November 2010 submitted our interim climate change risk assessment; a final report will be completed by October 2011. Climate change risk assessments are also being completed as part of the programme to create new profiles and statements of environmental opportunities for National Character Areas. We have also produced four climate change training modules to support our staff in understanding the implications of climate change in their particular work areas to inform their own delivery.</p>

Target	Status	Progress
<p>Climate change adaptation and mitigation Evidence Base</p> <p>We will communicate a compelling vision of how a healthy natural environment helps to deliver sustainable adaptation and mitigation, and develop the evidence base to support this vision.</p>	<p>Green</p>	<p>Our focus on a proactive engagement with the wider academic community, as well as government departments has substantially developed our capacity to draw on evidence collected by others and to influence research agendas. A key area of success has been the number of academic papers and presentations at conferences (national and international) which culminated in a joint two day conference with the British Ecological Society on Adapting Conservation to a Changing Climate. Natural England is increasingly recognised by the academic community for its work on climate change, particularly for its ability to develop research results into practical applications.</p> <p>We have established a series of National Nature Reserves as sites for the long-term monitoring of environmental change within the Integrated Monitoring Programme. We have completed and disseminated our National Vulnerability Assessment: a Geographic Information Systems based approach to identifying areas of priority habitats most likely to be vulnerable to climate change. The technical reports for the National Character Area (NCA) Climate Change Adaptation pilots (Humberhead Levels, Sherwood, SE Northumberland, South Downs, Solway, London and Lancashire and Amoundness Plain) are complete and ready for publication. The production of these reports over 18 months has also provided a focus and catalyst for a very large number of practical climate change activities with local partners, and has significantly raised Natural England's profile and standing at local level as an authority on climate change adaptation for the natural Environment. The methodology developed for these pilots is also being used to inform revision of the 159 NCA descriptions.</p>

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

Creating Environmental Leadership.

Target	Status	Progress
<p>Authoritative Champion Natural England is an authoritative champion for the natural environment.</p>	Amber Green	The new coalition Government has set out clear expectations about the role that its Arms Length Bodies should play and Natural England has responded positively to these challenges. Our external communications activities have focused more closely around Defra priorities and on establishing a more targeted profile for those areas of Natural England's work that most closely underpin them. Our communications activities have been subject to the Advertising and Marketing Freeze which has lowered the investment made in monitoring our media work. We have continued to deliver a series of high profile media "hits" which have included prominent stories about our work including significant national and regional coverage for species recovery projects like the fen raft spider and adder genetics survey.
<p>Strong Stakeholder Relationships Natural England develops strong relationships with stakeholders, for the benefit of the natural environment.</p>	Green	We conducted our annual stakeholder survey in Quarter two. The results indicated a continuing very high level of familiarity with our work, with 96 per cent of stakeholders saying they know us well or a fair amount. Despite the challenging economic context, the survey also showed an increase in the number of stakeholders with favourable impressions of us. This rose to 72 per cent from 65 per cent in 2009, and demonstrated the effectiveness of our engagement, which was designed to reflect the insights we gained from the previous survey.
<p>Advocating the Natural Environment Our people understand Natural England's purpose and priorities and are passionate in advocating on behalf of the natural environment.</p>	Green	Our 2011 Staff Survey results show that 74 per cent of staff are confident talking about Natural England's purpose, against a revised target of 65 per cent (originally 92 per cent); 82 per cent understand our delivery priorities against our revised 70 per cent target (originally 85 per cent); while 76 per cent are confident talking about our delivery priorities – revised target is 65 per cent (originally 80 per cent). These results were partly achieved through us recognising the need to modify our Corporate Plan targets to reflect the likely impacts of the rate, extent and nature of change the organisation is facing and partly through us taking proactive action to ensure leaders, staff and stakeholders are well-informed of likely changes. Executive Directors and senior managers have continued significant levels of engagement with staff across the organisation to steer them through these changes.

Target	Status	Progress
<p>Stakeholders Trust our Evidence and Knowledge Our stakeholders trust the evidence and knowledge which we maintain and develop.</p>	<p>Green</p>	<p>72 per cent of stakeholders in our annual Stakeholder Survey agreed that Natural England takes evidence-based decisions, missing our target by 3 per cent. We have maintained the general level of stakeholder trust in our evidence, with the current shortfall potentially due to a reduction in high profile evidence-based publications in 2010/11. We have been attempting to address this by increasing access to our overall evidence base, including doubling the number of technical publications that are now available on our website and by investing in increasing the awareness of local partners about what is available.</p> <p>89 per cent of staff in our annual Staff Survey agreed that they have the knowledge they need to deliver their roles, exceeded the national target by 9 per cent which in the current climate of change and uncertainty is an excellent achievement.</p>

Building capability.

Target	Status	Progress
<p>People Leadership People leaders will know what they are accountable for and demonstrate the skills and behaviours that make Natural England a role model for people leadership.</p>	<p>Amber Green</p>	<p>78 per cent of staff felt that their immediate team is well managed against a target of 90 per cent. Only 44 per cent of staff were inspired and motivated to achieve their targets against a target of 90 per cent. We decided not to progress our talent development work due to the introduction of the new Business Model. Whilst we recognise the impact of the Change Programme on individuals we are now working up an action plan as a consequence of the Staff Survey results.</p> <p>We decided to run our Leadership Programme during the period of change to support our leaders. This was challenging and ambitious. Feedback from those who completed the programme confirms that the timing was appropriate and that it helped them support staff through a challenging time.</p>
<p>Developing Capability Skills development – everyone in Natural England has the skills and knowledge that they need, or are working towards gaining them, so that they can carry out their role effectively.</p>	<p>Amber Green</p>	<p>Just 19 per cent of our staff said that the time and resource they had invested in learning and development had not enabled them to do their jobs more effectively.</p> <p>Although we agreed accreditation processes with the Institute of Ecology and Environmental Management (IEEM) for relevant training courses, we have been unable to progress this work as the in year budget cut of £0.6 million (c. 40 per cent of our opening budget) has postponed their delivery indefinitely.</p> <p>A wider range of methods to deliver training has been promoted, so that our reduced resource goes further – for example, we have been working in more collaborative partnerships with others in the Defra HR Network, have delivered more local workshops, and started to deliver much more training using technology. Although operating with a reduced learning and development budget, 3,000 training places were delivered from our corporate training programme, an over 40 per cent increase on last year.</p>

Target	Status	Progress
<p>Organisational Contract People understand how they contribute to their team's and the organisation's performance and in return we recognise and reward their contribution.</p>	<p>Amber Green</p>	<p>We expanded our work experience scheme for young and under-represented diversity groups with thirteen of our teams supporting 85 people joining us on a placement. Our Diversity work has been successful and is embedded in the way managers lead staff. The recruitment freeze earlier in the year meant we were not able to increase the number of new staff coming from under-represented diversity areas. According to our staff survey, 70 per cent of staff did say that we are a good place to work despite the uncertainty at the time surrounding the poor financial climate and announcement of significant staff reductions.</p>
<p>Health & Safety Embed the Health and Safety Executive sensible risk agenda into Natural England so our leaders and people understand and fulfill their Health & Safety responsibilities.</p>	<p>Green</p>	<p>58 per cent of our people leaders are trained and certificated in the Institute of Occupational Safety and Health (IOSH) Managing Safely programme against a target of 50 per cent. We have maintained a 100 per cent pass rate throughout the year.</p> <p>The investment in training advice and guidance has paid off with growing evidence from teams and individuals that the level of understanding and engagement with health and safety issues is growing. Over 1,500 people have been trained in risk management to date and our staff well-being pilot is now complete and will be rolled out across the organisation from Quarter one of 2011/12.</p>

Delivering our Business.

Target	Status	Progress
<p>Business Processes Our systems will support the efficient and effective delivery of services.</p>	<p>Green</p>	<p>We have continued to identify and drive quality of service, delivery and efficiency improvements through our key commercial partners, in particular in relation to Information Communication Technology (ICT) and land management. Using the Partnership Index, five suppliers achieved Silver status (above satisfactory) and two a Bronze (satisfactory) status. This exceeds the key target of four suppliers at Silver and three at Bronze.</p> <p>We have also been working much more closely with the Defra ICT Network to formulate a joined up and more powerful group, with stronger buying power, improved ideas sharing and collaborative working.</p> <p>Our systems accreditation is in excellent shape, with 97 per cent of staff having successfully completed the second round of Information Handling training against a target of 80 per cent. We have secured nationally recognised accreditation for our information security policies with the Statement of Applicability and Information Security Management System completed. The Risk Management Accreditation Documentation Set is close to being finalised and will be submitted to Defra in the first quarter of 2011/12.</p> <p>We have improved our capability to respond to emergencies with the completion of an Integrated Emergency Response Plan, under which 25 Incident Managers are being trained at the Emergency Planning College.</p>
<p>Sustainability Demonstrate environmental leadership by delivering a 50% net reduction in the carbon emission associated with our estates and our business travel by the end of 2010.</p>	<p>Green</p>	<p>We have demonstrated our environmental leadership by reducing our organisational carbon footprint by 54.6 per cent on time in just three years transformed Natural England into a business that places carbon at the heart of our decision making. Two thirds of this saving is from our estates strategy through measures such as office relocations and energy efficiencies and one third is savings on travel through the use of collaborative technologies. We received third party verification of our achievement by PricewaterhouseCoopers in February 2011. We have now established a programme of external engagement with key stakeholders and we have worked with various public and private sector organisations during the year in order to support their progress towards a lower carbon footprint.</p> <p>We have achieved a high level (Level 4) of the Government's Sustainable Procurement Flexible Framework and demonstrated how we target our key suppliers and work closely with them in developing sustainability audits and supply chain improvement of goods and services. We have been peer reviewed by the Environment Agency and Defra and demonstrated an 'enhanced' level of procurement that brings together people, environmental and financial benefits that are integrated into our business processes and delivery.</p>

Target	Status	Progress
<p>Customer Services Deliver improved customer service and reduce the administrative burden we place on customers and suppliers.</p>	<p>Green</p>	<p>Improved customer service is a key outcome which Ministers wish to see from the reforms of Natural England. In response, we have introduced a new business model with a clear focus on customer service, removed our regional tier of management to bring our service delivery staff closer to our customers and introduced more joined-up services with other Defra delivery bodies. These changes have already achieved significant improvements.</p> <p>In an independent customer survey of our largest customer group (some 35,000 farmers), our customer satisfaction rating increased by 18 per cent to a new high of 84 per cent (exceeding both the most recent public sector benchmark of 83 per cent and the rating of 67 per cent for our comparator environmental body). Natural England is also increasingly well known for the 60,000 agri-environment agreements it holds with these farmers, with awareness amongst agreement holders increasing by 15 per cent to 68 per cent today. Taken together, the results show that Natural England is on a clear path of being increasingly well known for delivering customer satisfaction, with over one third of farmers reporting they are 'very satisfied' with our service.</p> <p>We have also met our published customer service standards for enquiries, telephony and access to information; we have met all our targets to make it easier to do business with us, including a reduction in our administrative overhead on customers, saving them almost £0.25 million per annum; the use of electronic tendering for 75 per cent of contracts over £25,000; and we put in place formal strategies for the procurement of 85 per cent of all new contracts with a value of more than £25,000.</p>
<p>Financial Management Maximise resources available for the natural environment through efficiency savings, budgetary discipline and increased levels of external funding.</p>	<p>Green</p>	<p>We have exceeded our target for the year by delivering over £5.2 million of efficiencies from both our Procurement and Estates strategies and a further £2 million of pay savings from in year manpower controls. We reinvested these savings in front line delivery and used them to protect delivery from the 5 per cent in year spending cuts. We have also continued to increase external funding year on year and exceeded our target of £5 million for this financial year with a total growth of almost £8 million. This means that we have exceeded the £15 million three year growth target by over £4 million. Good financial management and tight in year budgetary control ensured that we delivered within 0.1 per cent of our budget, despite the in year budget cuts and the impact of spending controls imposed by Treasury and the Cabinet Office.</p>

Annual Management Report

History and statutory background

Natural England was established on 30 March 2006 when selective provisions of the Natural Environment and Rural Communities Act 2006 were activated under Statutory Instrument 2006 (NERC Act 2006) Number 1176(C.40) Natural Environment England & Wales, Natural Environment Northern Ireland, Rights of Way England. Natural England became fully functional on 1 October 2006 as a result of the merger of English Nature, the majority of the Countryside Agency (the remainder formed the Commission for Rural Communities) and the Rural Development Service (RDS) which was formerly part of the Department for Environment, Food and Rural Affairs (Defra).

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

Natural England incorporates the results of the Joint Nature Conservation Committee under the terms of IAS 31 "Interests in Joint Ventures", and includes its share of the JNCC's balances within its own accounts. The Joint Nature Conservation Committee (JNCC) was established on 5 November 1990 by Section 128(4) of the Environmental Protection Act 1990 and reconstituted by Part II of the NERC Act 2006. The JNCC is funded on an agreed proportionate basis by the Department for Environment, Food and Rural Affairs (Defra), Natural England, Scottish Natural Heritage

(SNH), the Countryside Council for Wales (CCW) and Department of Environment for Northern Ireland (see note 1.3 in Notes to the financial statements).

In accordance with the Natural Environment and Rural Communities Act 2006, Natural England's general purpose is to ensure that the natural environment is conserved, enhanced and managed for the benefit of present and future generations, thereby contributing to sustainable development.

Natural England's general purpose includes:

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

Financial commentary

In Natural England's fourth full year of operation following vesting on 1 October 2006, the attention has focussed on continuing to deliver the best outcomes for the natural environment whilst having to implement significant organisational change to meet the large funding cuts resulting from the exceptional measures the UK Government has taken to reduce the public sector borrowing requirement.

Natural England is 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. The 2010/11 financial year was the third and last year of the CSR 07 settlement for Defra and Defra had in turn provided Natural England with an indicative three year funding agreement on which the 2010/11 Corporate Plan was based.

Following the change of Government in May 2010, the incoming Government's top priority was to reduce the public deficit. A 5.5% cut in funding for Defra meant that Natural England's funding was reduced in year by £7.4m (5%). We achieved these savings with the minimum impact on our stakeholders, partners and delivery promises through stringent manpower controls, our staff numbers reduced by 137 in the year to 2,531, and cuts to all areas of discretionary spend for example in our Estates and IT. Spending controls were implemented by Cabinet Office in May 2010 which we applied throughout the year with strict controls on recruitment, use of consultants, IT projects, use of temporary staff, advertising and marketing, and property leases.

In October 2010 the Cabinet Office announced the results of its Public Body review of all Arm's Length Bodies in all departments. Natural England worked closely with Defra leading up to the announcement to agree a radical and comprehensive package of transformational measures with the objective of becoming an even more efficient organisation focussed strongly on the Government's ambitions for the environment and the green economy.

In the Comprehensive Spending Review (SR2010) announcement in October 2010, Defra received a settlement for the next four years

up to 2014/15 equivalent to cuts of 29% to the department's resource budget, 34% of the capital budget and 33% to the administration budget over the period. In December 2010 Defra announced Natural England's settlement for the SR2010 period which is a reduction of £44.2m in Grant in Aid. This is a 21.5% cut in the overall budget and a 30% cut in the portion of the budget where we directly control the costs. The other portion of the budget being the recharges we receive from Defra for IT, Estates and Shared Services.

To address the new funding constraints for the SR2010 period, Natural England established a Performance and Efficiency Programme (PEP) to carry out a thorough review of all of our processes and costs. Through this change programme we established a new business model which is designed along functional delivery lines to improve accountability, responsibility, and customer service. We have removed the regional delivery structures and the resulting model enables us to continue to deliver with 400 fewer staff. We continued using the existing business model until 31 March 2011 and the new structure was subsequently implemented on 1 April 2011. The redundancy costs associated with the new business model are recognised in the 2010/11 accounts through the establishment of a provision. These redundancy costs are due to be paid out during 2011/12 when the staff will leave Natural England. We have a balanced budget in 2011/12, as Defra are providing a proportion of funding for the redundancies as part of the settlement. We will have to deliver on our planned efficiencies over the whole SR2010 period if we are to manage within the challenging funding reduction. The tight manpower controls and reductions in discretionary spend we are operating will be continued throughout the period.

In accordance with H M Treasury's Financial Reporting Manual (FRM), the Grant in Aid due to Natural England for 2010/2011 cannot be shown as income, and instead appears in the revenue reserve. The revenue reserve shows a deficit due to the fact that Natural England should not draw down the cash for its Grant in Aid until it is required to meet its obligations. The underlying performance for the year to 31 March 2011 was that against our core GIA budget under our control we had a small overspend on revenue of £0.8m (0.4%) and a small overspend on our capital budget of £0.1m (2.2%). After establishing the provision for staff severance costs the financial statements show reallocated £17m more in total resource terms than Defra allocated for Natural England in 2010/11. Defra have agreed to fund this provision in 2011/12.

This is the second year that the Natural England's Financial Statements have been prepared using International Financial Reporting Standards (IFRSs). The most significant impact of the application of IFRS is the inclusion in the Statement of Financial Position of fixed assets owned by IBM to which Natural England has a right of use (see note 9 to the accounts).

Natural England owns 19,556 hectares of land comprising all or part of 147 National Nature Reserves (NNRs). As these NNRs are classified as Heritage Assets, from the 2010/11 accounts, these have been bought onto Natural England's Statement of Financial Position for the first time in accordance with the FRM and relevant Financial Reporting Standard (prior to this they were disclosed only as a note to the accounts).

The Non Operational NNR land and buildings are reported in the Statement of Financial Position at fair value. The NNRs generally consist of the land itself and then buildings which include offices and facilities for visitor and NNR staff. These 'support' buildings are

not classified as Heritage assets, and for this reason are treated in accordance with IAS 16 as other Non current property, plant and equipment. The value of the NNR land at 31 March 2011 was £56.8m, and the value of additional 'support' land and buildings at 31 March 2011 was £5.7m (further details can be found in note 10 to the accounts).

Available resources

The principal resource available to Natural England is its people. The investment we make in our people is described in the Employees section of this report. In addition, the relationship with key partners is vital to the success of Natural England's business. Natural England has sought to protect core funding for the natural environment and in 2008-09 we gave key stakeholders such as Areas of Outstanding Natural Beauty (AONB), Local Authorities for National Trails and Biodiversity partners three year guarantees of funding to March 2011. Natural England invested £2.9m (2009/2010 £3.9m) in additional fixed assets to contribute to the delivery of its business objectives. Over and above this, Natural England manages directly, or through partners on behalf of the nation, 94,350 hectares of National Nature Reserves.

Risks and uncertainties

In the Statement on Internal Control on pages 67 to 75 there is a full discussion of the risk and control framework that operates in Natural England. Areas that presented significant risks to the system of internal control in 2010/11 were:

- the Shared Services Directorate performance and that of the Oracle system;
- the in year budget cuts of 5% and the implementation of government spending controls on recruitment, use of consultants,

- IT projects, use of temporary staff, advertising and marketing, and property leases;
- the implementation of our business change programme and associated voluntary redundancy scheme. Natural England established a Performance and Efficiency Programme, (PEP) in response to the challenges of the Comprehensive Spending Review. Over the four years 2011 to 2015 Natural England's grant in aid will be reduced by 30%. This has required a major redesign of the management arrangements in Natural England. From 1 April 2011 the regional delivery structures have been replaced by national functional teams which deliver at a local level. We have had to plan for a significant reduction in staff numbers whilst maintaining staff morale and the delivery of our Corporate Plan targets in 2010/11; and
- implementation of further elements of the estates rationalisation programme including the closure of the Cheltenham Office and a number of significant office moves, and associated flexible ways of working.

future years (including severance and early retirement costs for which a provision of £18m has been established) which, to the extent that they are not to be met from Natural England's other sources of income, may only be met by future grants or grant-in-aid from Natural England's sponsoring department, the Department for Environment, Food and Rural Affairs. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grant-in-aid for 2011/2012, taking into account the amounts required to meet Natural England's liabilities falling due in that year, has already been included in the Department for Environment, Food and Rural Affairs estimates for that year, which have been approved by Parliament and continuing support is anticipated from Defra. We would expect that the liabilities due in later financial years primarily for IBM and Estates will similarly be met by the Department. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

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

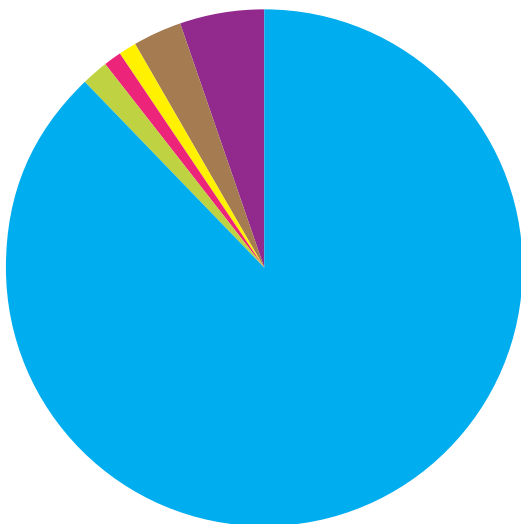
A detailed consideration of what Natural England has achieved, including implications for the future, is given for each outcome of the organisation in the earlier sections of this report.

The Statement of Financial Position at 31 March 2011 shows net assets of £34m. This includes Heritage Assets of £57m included in the Statement of Financial Position to meet the requirements of FRS 30. If the Heritage asset valuation is excluded then Natural England's financial position shows a deficit of £23m. This reflects the inclusion of liabilities falling due in

Financial performance summary

a) Where the money to fund Natural England comes from

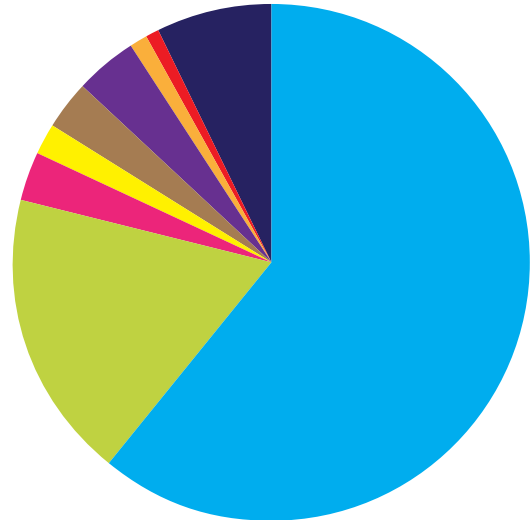
Natural England's main source of funding is Grant in Aid (GIA) from the Department for Environment, Food and Rural Affairs. In 2010/11 Natural England's total GIA was £222,297,000, which made up 92% of its gross income, a breakdown of the remainder is shown in notes to accounts 7 and 8.1. The full analysis is shown below:



- Core GIA 88.03%
- Catchment Sensitive Farming Grant 1.57%
- Aggregates Levy Sustainability Fund Grant 1.20%
- JNCC Grant 1.10%
- Other External Funding 3.0%
- Other Income 5.10%

Total income £241,898,000

b) The main areas the money is spent on



- RDPE 61.3%
- Staff Costs 18.2%
- Non Pay Running Costs 3.0%
- Shared Services & Estates 2.0%
- IBM IT Contract 3.2%
- Genesis IT system 3.5%
- JNCC 0.4%
- Depreciation & Impairment 0.7%
- Programme and Grant Spend 7.7%

This graph incorporates RDPE programme expenditure, which is integral in the delivery of our objectives. This programme spend is accounted for by Defra, but Natural England incurs the cost of delivering this programme directly.

Total expenditure

Natural England	£ 256,689,000
RDPE	£ 405,069,000

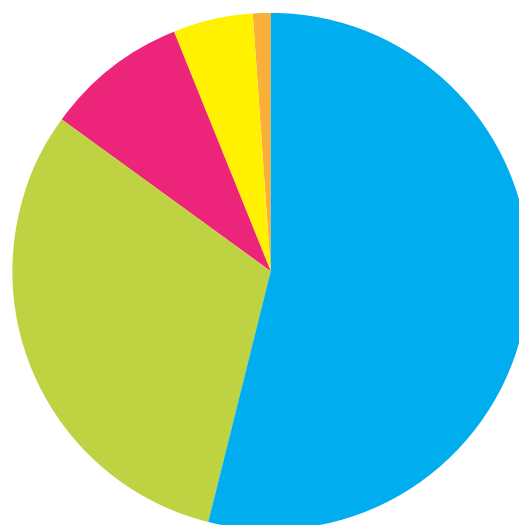
	£ 661,758,000

Our staff costs are driven by the number of people we employ. Natural England delivers the outcomes for the Natural Environment through a variety of sources including GIA and other income it receives, but also through partnerships with other organisations who fund work for the natural environment directly. Natural England is also responsible for the management and delivery of the Rural Development Programme for England (RDPE), which represented a further £405.1m (£360.8m 2009/10) paid to landowners and farmers for the environmental benefits delivered in 2010/11.

A detailed breakdown of the main categories of staff costs, other operating costs, programme, grant and information and publicity expenditure can be seen in the notes 5.1 and 6 to the accounts.

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

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



- A Healthy Natural Environment 56.1%
- Enjoyment of the Natural Environment 29.8%
- Sustainable use of the Natural Environment 8.4%
- A Distinctive Public Body 4.9%
- A Secure Environmental Future 0.8%

Total Programme and Grant Expenditure
£50,069,000

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

Research and development

Natural England spent £7.2m (£8.5m in 2009/10) on national science and evidence gathering. Major areas of spend are Biodiversity and Land Management, but also include Landscape, People & Access, Marine and Climate Change. The spend is targeted at those areas that are essential to deliver the organisation's strategic outcomes. It covers both monitoring and surveillance of the state of our natural environment, and wider research to tackle specific priority evidence needs.

The costs arising from developing an intangible asset (both internal and external) are capitalised if and only if, a number of criteria as outlined in International Accounting Standard 38 are met. No development expenditure in relation to the creation of intangible assets was capitalised in either 2010/11 or 2009/10.

All non capitalised development expenditure and all research expenditure are written off in the year they occur to the Statement of Comprehensive Net Expenditure.

Payment of trade and other payables

On the 8th October 2008 the then Prime Minister committed Government organisations to speeding up the payments process, paying suppliers wherever possible within 10 working days. The Department for Business Enterprise & Regulatory Reform issued new guidance on the method of measurement which is based upon the receipt of valid invoices at the correct address and suppliers being notified quickly about any disputes. During 2010-11 97.28% (97.33% 2009-2010) of Natural England's payments to suppliers met these criteria.

As at 31 March 2011 the amount owed to trade payables compared to the total sum invoiced by suppliers during 2010/11, expressed as a number of days is 9.5 days (17.6 days 2009/10 restated).

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 £4,880 of late payment interest during 2010/11. No late payment interest was incurred in the previous two years.

Employees

People are Natural England's most valuable resource. By valuing and respecting each individual we aim to create an organisation where the inclusive culture retains and attracts skilled and innovative people who have the talent to turn our organisational goals into reality. Valuing others will also mean we give an excellent service to the wide range of individuals and customers that we interact with.

Natural England has established a firm commitment to Diversity and Equality helping all employees to work together to build an inclusive environment. The Executive Director Corporate Services, is the Executive Diversity and Equality Champion for Natural England and is supported by diversity strand champions, a steering group and forty Diversity Ambassadors. This year we have held a series of Webinars (web-based seminar, a presentation, lecture, workshop or seminar that is transmitted over the web) for our people covering the new Equality Act, made a submission to Stonewall (Britain's leading lesbian, gay and bisexual equality organisation). Top 100 employers, retained the two ticks symbol and undertaken a benchmarking exercise with Opportunity Now. Natural England ensures that it has fair

employment terms for its employees and in 2010 we complete the second year of our 2 year pay deal specifically supporting lower paid employees.

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

We have also continued to expand our Development Framework and continued to introduce new programmes across all strategic outcomes to underpin this. To cater for local skills development needs and help establish team learning and development groups we devolved a training budget that includes travel and carbon to each team for them to deliver local training needs. This year we have rolled out our successful Leadership programme to all our Managers and Leaders. The programme which was developed last year for our Executive Board and Executive Leadership Group involves external and internal stakeholders to strengthen the outputs of this initiative which supports our leader's development as well as creating stronger working relations with our partners.

In 2010 we participated for a second time in the Best Companies Survey improving our results from the previous year and again being recognised as an employer to watch. Our 2010 Staff Survey showed a slight drop in how our people view us as a good employer 70% in 2010 (74% in 2009). Nevertheless this is significantly above the 2007 results of

27%. However, considering the survey was conducted during a significant organisational change programme which included seeking voluntary redundancies and some staff facing selection it remains a positive score.

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

During 2010-2011, Natural England employees incurred an average of 4.51 days sick leave (4.87 days in 2009/2010 and 5.95 days 2008/2009). This remains below the overall civil service average, of around 8.5 days per employee.

Social Community Statement

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

Natural England is looking for ways to improve the service we give to our customers and seeks to provide them with the highest possible standard of service. It has adopted an integrated approach to service delivery and

defined a set of standards and commitments. It collects and monitors customer feedback and uses these complaints, compliments and suggestions to further improve the quality of its service. Special access arrangements are being developed on targeted National Nature Reserves (NNRs) and a review of the accessibility of our NNRs is to be made available via the internet so that customers know what to expect and can make informed choices.

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

Sustainability and Environmental Reporting

The achievement of sustainability is 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.

In 2008/09 Natural England reported for the first time on sustainability issues. In 2009/10 new guidance was issued by HM Treasury "Sustainability Reporting in the Public Sector" which produced a framework for public sector bodies. This guidance is to be adopted by the Government's Financial Reporting Manual (FRM), with effect from 1 April 2011 [for more information see http://www.hm-treasury.gov.uk/frem_sustainability.htm]. In line with this guidance Natural England chose to adopt early the reporting framework in 2009/10, and will report again using this framework in 2010/11, on how our environmental performance supports sustainability. In 2010/11 (like 2009/10) not all aspects required in the reporting framework are currently monitored, but we will develop

a baseline for these missing items during 2011/12. Natural England's Sustainability and Environmental report is attached at Annex 1.

Pensions

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. Natural England is unable to identify its share of the underlying assets and liabilities because it is part of a larger civil service scheme. A full actuarial valuation was carried out as at 31 March 2007. For 2010/2011 employers' contributions were payable to the PCSPS at one of the four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2010-11 to be paid when the member retires and not the benefits paid during this period to existing pensioners. Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Further details are described in paragraph 1.22.1 of the Accounting Policies and note 5.4.

Poul Christensen (Chair) is included in a separate pension scheme set up by Defra, which is described as 'by analogy to the main scheme'. An actuarial valuation has been carried out by the Government Actuary Department as at 31 March 2011 and the present value of the scheme liabilities is included within Natural England's Statement of Financial Position. Further details are described in the Remuneration Report and note 5.5.

Corporate governance

Natural England aims for the highest standards in corporate governance. Natural England has throughout the year had risk management and review processes in place so as to be able to review the effectiveness of our system of internal control. Natural England has prepared a Statement on Internal Control for 2010/2011 (see pages 67 to 75), which shows that Natural England is compliant with guidance on internal control.

Public Sector Information Holders

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

Personal data related incidents

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

Natural England has established governance structures to ensure that information assets are handled appropriately. These include identifying risk owners, undertaking quarterly risk assessments and providing training to key staff. Information data handling courses are embedded in induction processes and the staff development framework and 97% of staff have completed the level 1 online information handling course.

Although there have been no reportable incidents of personal information data loss during the year a limited release of personal data occurred in November 2010. This loss has been thoroughly investigated and our processes and procedures have been revised to incorporate recommendations aimed to prevent future

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

Responsibility for the direction of Natural England

1 Non Executive Board

Each Member of the Board of Natural England is appointed by the Secretary of State for Environment, Food and Rural Affairs, typically for a term of three years. Members may be considered for re-appointment in accordance with guidance from the Office of the Commissioner for Public Appointments. Legislation provides for the appointment of no fewer than eight and up to sixteen Members. At 31 March 2011 there were ten Members including the Chair.

The composition of the Board for 2010-2011 was as follows:

Mr Poul Christensen – Chair
Professor David Hill – Deputy Chair (from 1 February 2011)
Dr Helen Phillips – Chief Executive
Mr Peter Allen
Professor Lynn Crowe (to 30 September 2010)
Ms Catherine Graham-Harrison
Mr Tony Hams
Dr Joe Horwood
Mr Doug Hulyer
Professor David Macdonald
Mr Christopher Pennell (to 30 September 2010)
Mr Andy Wilson

We would like to thank two of our former Board Members, Professor Lynn Crowe and Christopher Pennell, for their valuable contribution to the development of Natural England.

Full details concerning the Members of the Board are given in the Board Members' section of this report. The Audit and Risk Committee is chaired by Tony Hams (it was previously chaired by Christopher Pennell until September 2010), the other members are Catherine Graham-Harrison, David Hill, Joe Horwood and Ian Scott as an external member with relevant financial expertise. The Science Advisory Committee is chaired by David Macdonald, the other members are David Hill and Joe Horwood. Board members also participate in Board Outcome Groups which shape future direction and policy of our four outcomes.

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

2 Executive Management Board

The composition of the management board from 1 April 2010 was as follows:

Dr. Helen Phillips – Chief Executive
Mr Jim Smyllie – Executive Director
Regional Delivery
Dr Tom Tew – Chief Scientist (to 28 February 2011)
Mr Guy Thompson – Executive Director
External Affairs
Mr Robin Tucker – Executive Director
National Delivery (to 28 February 2011)
Mr Dave Webster – Executive Director
Corporate Services
Mr Andrew Wood – Executive Director
Evidence and Environmental Analysis

Natural England recognises that it needs to demonstrate that its Board structures and numbers of senior staff need to reduce commensurate with the SR2010 settlement and reduction in funding. The number of Executive Directors was therefore reduced by 33% from 6 to 4 members in the year. We would like to thank Dr Tom Tew and Mr Robin Tucker who left Natural England in February 2011 for their valuable contribution to the development of Natural England.

Accounts direction

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

Auditor

Under Schedule 1, Section 24(4) of the Natural Environment and Rural Communities Act 2006, the Comptroller and Auditor General shall examine, certify and report on the statements of account.

The cost of work performed by the auditor for statutory audit work in respect of the financial year 2010/2011 is £150k for the Annual Accounts audit (2009/2010 £165k).

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

Remuneration report

Appointments

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

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

Salary

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

Board Members' remuneration is determined by the Department for Environment, Food and Rural Affairs.

Benefits in kind

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

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in year in which they become payable to the individual. The timing of the appraisal process means that within the

2010/11 financial statements, bonuses for 2010/11 performance cannot be disclosed down to bonuses for individuals, relating to 2010/11 performance. For this reason, the remuneration report discloses in 2010/11 bonuses paid for 2009/10 performance and for comparative, bonuses paid in 2009/10 based on 2008/09 performance.

Cash Equivalent Transfer Values (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the members' accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by the pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their current service in a senior capacity to which disclosure applies. The CETV figures and other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

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

Remuneration policy

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

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

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

The Chief Executive and Executive Directors are required to provide three months notice of their intention to leave. Board Members are required to provide one months notice.

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

Remuneration (audited information)

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

Board Members	Period of appointment	Days service 2010/2011	2010/2011 Salary £000	2009/2010 Salary £000
Chair Poul Christensen	To 31/12/2012	156	70 - 75	70 - 75
Deputy Chair David Hill	To 30/09/2012	55	15 - 20	15 - 20
Members				
Peter Allen	To 30/09/2011	37	10 - 15	10 - 15
Sarah Burton	To 30/09/2009	nil	N/A	0 - 5 ^{Note a}
Lynn Crowe	To 30/09/2010	41	5 - 10 ^{Note d}	10 - 15
Michael Depledge	To 30/09/2009	nil	N/A	0 - 5 ^{Note b}
Catherine Graham-Harrison	To 31/12/2011	43	10 - 15	10 - 15
Tony Hams	To 30/09/2011	50	15 - 20	15 - 20
Joe Horwood	To 30/09/2012	47	10 - 15 ^{Note e}	0
Doug Hulyer	To 30/09/2010	47	15 - 20	15 - 20
David Macdonald	To 30/09/2011	43	10 - 15	10 - 15
Christopher Pennell	To 30/09/2010	49	5 - 10 ^{Note f}	15 - 20
Pam Warhurst	To 31/12/2009	nil	N/A	10 - 15 ^{Note c}
Andy Wilson	To 31/12/2011	34	10 - 15	10 - 15

No bonuses, performance related pay or benefits in kind were paid in either 2010/11 or 2009/10.

Note:	Period		Actual Salary £'000	Full Year Equivalent £'000
	From	To		
a)	01/04/2009	30/09/2009	0-5	5-10
b)	01/04/2009	30/09/2009	0-5	5-10
c)	01/04/2009	31/12/2009	10-15	15-20
d)	01/04/2010	30/09/2010	5-10	10-15
e)	01/04/2010	31/03/2011	10-15	15-20
f)	01/04/2010	30/09/2010	5-10	15-20

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

Dr Joe Horwood was employed by CEFAS, as their Chief Scientist and was also a Non-Executive Advisory Director up to 30 June 2010. For this reason for the period 1 April 2010 to 30 June 2010 he was not eligible to be paid for his duties as a member of the Natural England Board (although he could claim expenses). When Dr Horwood's employment ceased with CEFAS with effect from 1 July 2010, he was from this time paid directly by Natural England for his duties as a member of the Board.

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

Remuneration (audited information)

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

Executive Directors	Appointment date	2010/2011		2009/2010	
		Salary £000	Performance related pay £000	Salary £000	Performance related pay £000
Chief Executive					
Helen Phillips	27/02/2006	140-145	13	140-145	15
Executive Directors					
Jim Smyllie Executive Director, Regional Delivery	01/10/2008	85-90	11	85-90	11
Tom Tew Chief Scientist	16/04/2007	75-80 <small>Note a</small>	11	75-80	8
Guy Thompson Executive Director, External Affairs	19/06/2006	90-95	11	85-90	11
Robin Tucker Executive Director, National Delivery	15/09/2008	125-130 <small>Note b</small>	11	110-115	6
Dave Webster Executive Director, Corporate Services	04/09/2006	95-100	11	95-100	14
Andrew Wood Executive Director, Policy & Evidence	1/04/2007	95-100	11	90-95	9

No Benefits in kind were paid in either 2010/11 or 2009/10.

Note:	Period		Actual Salary 2010/2011 £'000	Full Year Equivalent 2010/2011 £'000
	From	To		
a)	01/04/2010	28/02/2011	75-80	80-85
b)	01/04/2010	28/02/2011	125-130	110-115

Robin Tucker left Natural England on 28th February 2011. His actual salary for the year included a £20k compensation for loss of office payment and £4k holiday pay. His basic salary for the full year would have been £111k.

Tom Tew left Natural England on 28th February 2011, and received £135k as a voluntary severance payment under the terms of the Civil Service Compensation Scheme. This payment was in addition to the payments disclosed above.

The Non Executive Board agrees the Chief Executive's performance objectives each year, scrutinises each quarter the performance of the organisation at each open Board meeting, and at the end of the year assesses the performance of the Chief Executive against the agreed framework and performance objectives and approves an appropriate level of non consolidated performance pay. This process is in accordance with the requirements of Natural England's Management Statement. On this basis the Chief Executive, who is on a permanent contract, is eligible to receive a non consolidated performance payment of up to a maximum of 15% of her current salary. Along with other senior staff in the Civil Service this is currently capped at a maximum of £15,000 per annum.

The non consolidated performance related pay of the other Executive Directors was determined by the Chief Executive and under the contracts allows for a payment up to a maximum of 15% of salary. In 2009-10 consideration was given to guidance issued by Cabinet Office on the levels of non consolidated performance payment for Senior Staff. To show clear leadership the Chief Executive took these principles into consideration and capped the level of payments due to the Executive Directors at £10,750. The total performance related payments (including National Insurance) paid in 2010/11 for 2009/10 performance was £88,548 (2009/10 £74,882).

Pension benefits (audited information)

Chair	Total accrued pension at age 60 at 31/03/11 and related lump sum (LS) £000	Real increase in pension and related lump sum at age 60 £000	CETV at 31st March 2011 £000	Restated CETV at 1st April 2010 ^{Note a} £000	Real increase in CETV £000
Chair					
Poul Christensen	0 – 5 / LS 0	0 – 2.5 / LS 0	70	50	17
Chief Executive					
Helen Phillips	20 – 25 / LS 0	0 – 2.5 / LS 0	279	229	12
Executive Directors					
Jim Smyllie	20 – 25 / LS 60-65	0 – 2.5 / LS 2.5 – 5	447	373	23
Tom Tew ^{Note b}	20 – 25 / LS 65-70	0 – 2.5 / LS 2.5 – 5	317	276	19
Guy Thompson	5 – 10 / LS 0	0 – 2.5 / LS 0	65	45	10
Robin Tucker ^{Note b}	5 – 10 / LS 0	0 – 2.5 / LS 0	54	32	18
Dave Webster	45 – 50 / LS 0	0 – 2.5 / LS 0	642	547	12
Andrew Wood	10 – 15 / LS 0	0 – 2.5 / LS 0	202	150	31

No Employer contributions were paid to partnership pension accounts in 2010/11. Board Members are not entitled to join the PCSPS pension scheme.

Note a – The actuarial factors used to calculate CETVs were changed in 2010/11. The CETVs at 31/3/10 and 31/3/11 have both been calculated using the new factors, for consistency. The CETV at 31/3/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

Note b – Figures quoted are to 28 February 2011, as this is date that Dr Tom Tew and Mr Robin Tucker ceased employment with Natural England.



Dr Helen Phillips
Accounting Officer and Chief Executive
20 June 2011

Statement of Accounting Officer's Responsibilities

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

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

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

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

The Accounting Officer of Defra has designated the Chief Executive of Natural England as Accounting Officer of Natural England. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Natural England's assets, are set out in Managing Public Money, published by HM Treasury.

Since Natural England's vesting I have had lead Accounting Officer responsibility for the Joint Nature Conservation Committee (JNCC), assisted by the Chief Executives of the Countryside Council for Wales, Scottish Natural Heritage and the Department of Environment for Northern Ireland. As Chief Executive for Natural England, I had, as directed by the sponsoring Departments, the lead responsibility for the day to day functions of the Accounting Officer of the JNCC. This responsibility ends on 31 March 2011 with these accounts, when under the Defra Clear Line of Sight changes, JNCC's Chief Executive became the responsible Accounting Officer from 1 April 2011.

Dr Helen Phillips, Chief Executive

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Natural England's policies, aims and objectives, whilst safeguarding the public funds and organisational assets for which I am personally responsible, in accordance with the responsibilities assigned to me within Managing Public Money.

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

The Board governance includes:

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

The Executive governance shows:

- who is accountable for delivery of strategic objectives and how the Executive Board, Operations Group, Executive Leadership Group (ELG), ELG Governance Group and Regional and National teams interact to achieve that delivery;
- the Financial and Non-Financial Schemes of Delegation;

- guidance on regularity and propriety, the anti-fraud policy and procedure; and
- the terms of reference for Internal Audit.

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

As part of the process for agreeing the Corporate Plan for 2010-11, Natural England carried out consultations and held discussions with officials at the Department for Environment, Food and Rural Affairs (Defra) as well as consultations with our external stakeholders and partners. The issues discussed included Natural England's contribution to the delivery of high level priorities and targets, corporate level risks and financial plans. There was similar interaction between Natural England and Defra and external stakeholders and partners whilst agreeing the Strategic Direction for 2008-13.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Natural England policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Natural England for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

The risk and control framework

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

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

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

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

reporting is implemented where delivery is at risk against a major target.

Members of staff are informed about risk management through guidance on the preparation of risk registers that are produced and maintained for each team, project and other business activities. Natural England's corporate governance staff are aware of best practice in the public and private sectors and have promulgated this through the regular revision of guidance.

Joint Nature Conservation Committee (JNCC)

Since Natural England's vesting I have had lead Accounting Officer responsibility for the JNCC. This responsibility ends with these accounts when under the Defra Clear Line of Sight changes JNCC's Chief Executive (formerly Managing Director) became the responsible Accounting Officer from 1 April 2011.

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

The Chief Executives of Natural England, Scottish Natural Heritage, the Countryside Council for Wales and the Permanent Secretary of the Department of Environment for Northern Ireland jointly have had Accounting Officer responsibilities for the JNCC. As lead Accounting Officer on behalf of the funding bodies, I delegated certain Accounting Officer responsibilities in respect of the JNCC to the JNCC Chief Executive, and had the right to withdraw

these delegations if I believed that the incumbent was no longer suitable for the role. These arrangements, and the details of delegation, are set out in the JNCC Accountability Framework, the Management Statement and the Financial Memorandum, all of which are agreed by the Chief Executives of the funding bodies.

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

As lead Accounting Officer, I ensured that:

- there was an adequate statement of financial relationship between the Department, devolved administrations, the administration in Northern Ireland, GB conservation bodies and the JNCC (in a financial memorandum);
- the financial and other controls applied by the JNCC were appropriate and sufficient to safeguard public funds and the JNCC's compliance with those controls was effectively monitored;

- the internal controls applied by the JNCC conform to the requirements of regularity, propriety and good financial management; and
- a risk assessment of the JNCC's activities was undertaken periodically.

I gained additional assurance on the controls within JNCC by:

- attending meetings with the Chief Executives of each country's body and JNCC's Chief Executive;
- reviewing JNCC's plans and financial and performance information;
- the attendance at JNCC ARMC Meetings by one of my senior management team.

Capacity to handle risk

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

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

Information Risk Management

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

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

Natural England's Information Security Management System continues to deliver against HMG information risk policy. Natural England is 98% and 50% compliant with Levels 1 and 2 respectively of the Data Handling Review (DHR) measures. Natural England is also 96% and 61% compliant with Levels 1 and 2 respectively of the full Information Risk Maturity Model. In addition 97% of staff baselined at December 2010 have completed and passed Level 1 of the Information Handling course. The course is now embedded in the induction process and staff development framework. During 2010-11 an internal audit of Natural England's performance against the Government security measures was undertaken. All management actions from that review have now been completed. The results, conclusions and mitigation plans are shared with the SIRO, the Audit and Risk Committee and the Executive Board.

Although there have been no reportable incidents of personal information data loss during the year a limited release of personal data occurred in November 2010. This loss has been thoroughly investigated and our processes and procedures have been revised to incorporate recommendations aimed to prevent future incidents. Defra has been advised of the incident and apologies have been made to those people affected by the release.

Review of effectiveness

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

During 2010-11 we have continued to develop our understanding of the assurance that is available to us and have mapped an initial view of the overall assurance landscape and the extent and level of assurance that is available to us over the individual elements of that landscape using information from both internal and external sources.

The performance of Defra Shared Services (SSD) control environment has also improved and the level of assurance for the overall control framework as given by Defra's Head of Internal Audit has now moved to adequate.

Defra has considered the future of SSD as part of making back office efficiency savings across the Defra network and will be merging its SSD service with that of the Environment Agency. We believe this change is necessary to provide the required level of service on a more cost effective basis.

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

The Head of Internal Audit's opinion on the integrity of Natural England's systems of internal control has been provided in compiling this Statement on Internal Control and this statement has been reviewed as part of that process. He considers that this statement gives a fair reflection of the systems of control in place within Natural England and that all significant control issues have been included within this statement.

The Head of Internal Audit's opinion includes an assessment of the control position and he is able to give a moderate level of assurance that control systems are operating effectively. That opinion records the context within which the controls have been operated and steps that are being taken to improve the control environment. It indicates that there are some weaknesses in control in some reviewed systems that could have a

significant impact on the delivery of those systems, functions or process objectives but should not have a significant impact on the overall achievement of organisational objectives.

Natural England's Audit and Risk Committee has comprised four non-executive members from the Board and an additional non-executive member of the Committee who is a qualified accountant. It raises issues and concerns as necessary with me as Accounting Officer and with the Board. Attendees at the ARC meetings include myself, the Executive Director of Corporate Services, the Director of Finance, NAO and the Head of Internal Audit. Its terms of reference, that were reviewed in year and approved by the Board, ensure that risk management and internal control are regularly considered during the year.

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

Areas that presented significant risks to the system of internal control in 2010-11 were:

- the Shared Services Directorate performance and that of the Oracle system;
- the in year budget cuts of 5% and the implementation of government spending controls on recruitment, use of consultants, IT projects, use of temporary

staff, advertising and marketing, and property leases;

- the implementation of our business change programme and associated voluntary redundancy scheme. Natural England established a Performance and Efficiency Programme, (PEP) in response to the challenges of the Comprehensive Spending Review. Over the four years 2011 to 2015 Natural England's grant in aid will be reduced by 30%. This has required a major redesign of the management arrangements in Natural England. From 1 April 2011 the regional delivery structures have been replaced by national functional teams which deliver at a local level. We have had to plan for a significant reduction in staff numbers whilst maintaining staff morale and the delivery of our Corporate Plan targets in 2010/11; and
- implementation of further elements of the estates rationalisation programme including the closure of the Cheltenham Office and a number of significant office moves, and associated flexible ways of working.

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

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

The recent returns have highlighted improvements in:

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

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

In 2010-11 the following significant control issues were identified:

Description of control event	Management action
<i>Business continuity planning, awareness and testing</i>	
<p>This area continues to see improvement and all regional teams have plans in place. As a consequence partly of estate changes and changes to infrastructure not all plans have been fully tested.</p> <p>Systems Knowledge and Information team (SKI) have indicated that all critical areas have IT plans in place and business continuity has been partially tested following recent office moves and telephone outages.</p> <p>Overall our IT systems and infrastructure are governed by contracts with IBM and Defra. These do not include disaster recovery contracts with the respective suppliers, because the cost of such arrangements outweighs the benefits.</p> <p>Our IT infrastructure, and those of some of our suppliers (SSD, Defra IT, Defra Estates) is also vulnerable to a single point of failure at the IBM data centre.</p>	<p>Natural England has a corporate Business Continuity Plan (BCP) – and also regional and location specific BCPs. Included in the plans are details of our critical systems and key staff and supplier contact details. In addition, we have an interim Information, Communications and Technology Disaster Recovery Plan.</p> <p>We have an Executive Director, with clear responsibility for leading our response and have developed a process for establishing a Crisis Management Team for incidents. We have a good response capability particularly in the marine area where we are most frequently asked to respond to emergencies. This is covered by our Marine Response Plan, which is well documented, tried and tested.</p> <p>All teams have plans in place and these are being reviewed and updated to reflect changes in the business such as Working in Natural England 2010 and PEP. Operations review these to ensure consistency and best practice. A significant investment is still required for the Oracle system. An outline decision has now been made on the future of Shared Services which intends that it is merged with the Environment Agency Service Centres to form a single delivery organisation. SSD have advised and evidenced that they have a continuity plan although this has not been tested on an end to end basis.</p> <p>The key IT infrastructure and the Genesis and Oracle Financial system are all subject to contractual support arrangements with IBM and ATOS Origin. Whilst we continue to maintain good relationships with these suppliers we, and Defra, cannot afford to purchase a service that gives a guaranteed recovery commitment. This is something that is examined in detail as a requirement at each contract renewal.</p>

Description of control event	Management action
<i>Assurances over the controls operated by SSD</i>	
<p>The back office financial, procurement and human resources services that are provided by SSD are by definition not directly controlled by Natural England.</p> <p>Although the Defra Head of Internal Audit has assessed the overall control framework as adequate there have been a number of failures :</p> <ul style="list-style-type: none"> ■ A control failure was identified by SSD in relation to the incorrect treatment of pension contributions. ■ Two payments that were intended to be made in March 2010 to an authorised supplier were diverted and paid into a third party bank. ■ We are aware of certain control weakness that occurred in the early part of the year relating to Government Procurement Card reconciliations. 	<p>New processes and controls have been implemented by SSD; the financial impact was not material.</p> <p>SSD initially suspended further payments, although they resumed weekly payment runs after implementing additional manual controls agreed with Defra Internal Audit and the NAO. The matter was referred to the police whose enquiries are continuing. The ARC has reviewed the actions taken by SSD and Natural England has been indemnified against any losses that may arise by Defra.</p> <p>These have subsequently been completed to time and quality. Examinations of the subsequent control accounts suggest that this has not had any adverse impact on the financial statements or the control environment.</p>

<i>Challenges to our data and evidence</i>	
Over the period there has been a significant increase in the external scrutiny of the evidence underpinning our advice to Government, particularly in relation to the identification of Marine Protected Areas. This has often been in the form of extensive freedom of information requests.	<p>We have implemented a number of actions including:</p> <ul style="list-style-type: none"> ■ A review of our compliance with Government Office of Science guidelines which, though not intended to be applied to NDPBs, represent a highly relevant codification of good practice ■ An independent review of the evidence base and evidence processes underpinning our advice to Government on marine Special Areas of Conservation selection ■ Taking steps to make our evidence even more transparent.

Description of control event	Management action
<i>Estates recharges from Defra</i>	
<p>Natural England occupies offices and property owned and leased by Defra.</p> <p>Defra makes quarterly recharges for this occupancy using a company called DTZ.</p> <p>During 2010-11 the quality, completeness and timeliness of these recharges has been variable resulting in difficulties in forecasting accurate costs and an eventual £1.8M underspend against Estates budgets.</p>	<p>We have registered our concerns about the quality of service that we have received and obtained assurances from Defra Estates that they will indemnify Natural England against any further recharges for the financial year 2010-11.</p> <p>We are working with Defra Estates to improve the quality and timeliness of information in future years.</p>

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



Dr Helen Phillips
Accounting Officer and Chief Executive
20 June 2011

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

I certify that I have audited the financial statements of Natural England for the year ended 31 March 2011 under the Schedule 1, Section 24(4) of the Natural Environment and Rural Communities Act 2006. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with Schedule 1, Section 24(4) of the Natural Environment and Rural Communities Act 2006. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

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

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

Opinion on Regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Natural England's affairs as at 31 March 2011 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Natural Environment and Rural Communities Act 2006 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

27 June 2011

Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

	Notes	2010/2011 £'000	Restated 2009/2010 £000
Expenditure			
Staff costs	5.1	120,559	96,460
Depreciation	6	4,461	4,561
Other expenditure	6	131,669	149,880
Total Expenditure		256,689	250,901
Income			
Income from activities	7	8,804	13,684
Other income	7	10,794	5,552
Total Income		19,598	19,236
Net Expenditure		(237,091)	(231,665)
Interest receivable		4	3
Net Expenditure after interest		(237,087)	(231,662)

Other Comprehensive Expenditure

Net gain/(loss) on revaluation of Property, Plant and Equipment	9.1	(2,037)	12,529
Net gain/(loss) on revaluation of Intangibles	9.2	6	1
Net gain/(loss) on revaluation of Heritage Assets	10	4,776	3,079
Net gain/(loss) on revaluation of Agricultural Biological Assets	11	0	6
Net gain/(loss) on pensions provision		5	10
Total Comprehensive Expenditure for the year ended 31 March 2011		(234,337)	(216,037)

Statement of Financial Position

as at 31 March 2011

	Notes	31 March 2011 £000	Restated 31 March 2010 £000	Restated 1 April 2009 £000
Non-current assets				
Property, plant and equipment	9.1	30,535	35,760	24,175
Intangible assets	9.2	1,606	2,201	2,052
Heritage Assets	10	56,822	52,046	48,967
Agriculture biological assets	11	68	71	68
Trade and other receivables	16.2	11	21	48
Total non-current assets		89,042	90,099	75,310
Current assets				
Assets classified as held for sale	12	356	0	1,004
Inventories	15	84	97	101
Trade and other receivables	16.1	5,380	16,302	4,007
Cash and cash equivalents	17	10,857	17,117	13,682
Total current assets		16,677	33,516	18,794
Total assets		105,719	123,615	94,104
Current liabilities				
Trade and other payables	18.1	(39,187)	(58,312)	(72,687)
Total current liabilities		(39,187)	(58,312)	(72,687)
Non-current assets plus/less net current assets/liabilities		66,532	65,303	21,417

Non-current liabilities:				
Provisions	20.2	(22,405)	(7,361)	(8,073)
Pension liabilities	20.1	(195)	(399)	(309)
Other payables	18.2	(9,899)	(13,739)	(3,700)
Total non-current liabilities		(32,499)	(21,499)	(12,082)
Assets less liabilities		34,033	43,804	9,335
Reserves				
Capital reserve	25	39,568	44,599	36,288
Donated Asset reserve	26	628	628	628
Revaluation reserve	27	49,190	44,849	39,349
Revenue reserve	28	(55,353)	(46,272)	(66,930)
		34,033	43,804	9,335

The accounting policies and notes on pages 84 to 144 form part of these financial statements.



Dr Helen Phillips
Accounting Officer and Chief Executive
20 June 2011

Statement of Cash Flows for the year ended 31 March 2011

	Notes	2010/2011 £000	Restated 2009/2010 £000
Cash flows from operating activities		(237,087)	(231,662)
Net deficit after interest			
Adjustment for non cash items			
- depreciation & amortisation	9.1 & 9.2	4,461	4,561
- impairment	14	319	3
- (surplus)/ loss on disposal of assets net of Proceeds		635	140
- provisions provided for in year net of write backs	20	16,908	895
- employee benefit annual leave accrual		(316)	2,614
- IFRIC 12 write down of lease		(1,527)	(2,283)
- change in investment holding in JNCC	28	53	0
(Increase)/Decrease in trade and other receivables	16	10,932	(12,268)
(Increase)/Decrease in Inventories	15	13	4
Increase/(Decrease) in trade payables	18	(18,311)	(20,558)
Use of Provisions	20	(2,068)	(1,517)
Net cash outflow from operating activities		(225,988)	(260,071)

	Notes	2010/2011 £000	Restated 2009/2010 £000
Cash flows from investing activities			
Purchase of property, plant and equipment	9.1	(2,953)	(3,757)
Purchase of intangible assets	9.2	(6)	(223)
Increase/(Decrease) in non current payables		(4,227)	7,917
Proceeds of disposal of property, plant and equipment		117	1,151
Proceeds of disposal of intangibles		0	0
Net cash outflow from investing activities		(7,069)	5,088
Cash flows from financing activities			
Grants from parent departments	28	226,797	258,418
Net financing		(6,260)	3,435
Net increase/(decrease) in cash and cash equivalents in the period	17	(6,260)	3,435
Cash and cash equivalents at the beginning of the period	17	17,117	13,682
Cash and cash equivalents at the end of the period	17	10,857	17,117

The accounting policies and notes on pages 84 to 144 form part of these financial statements.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2011

	Notes	Restated Capital Reserve (Note 25) £000	Restated Reval'n Reserve (Note 27) £000	Donated Asset Reserve (Note 26) £000	Restated Revenue Reserve (Note 28) £000	Total Reserves £000
Balance at 31 March 2009		19,188	2,444	0	(66,930)	(45,298)
Changes in Accounting Policy		17,100	36,905	628	0	54,633
Restated balance at 1 April 2009		36,288	39,349	628	(66,930)	9,335
Changes in Taxpayers Equity 2009-10						
Grant from Parent		0	0	0	262,918	262,918
Transfers between reserves		0	(300)	0	300	0
Comprehensive Expenditure for the year		0	0	0	(231,662)	(231,662)
Movements in reserves						
IFRIC 12 adjustments		12,505	0	0	(12,505)	0
Other non current asset movements		(4,194)	0	0	1,568	(2,626)
Increase in bequests		0	0	0	39	39
In year revaluations		0	5,800	0	0	5,800
Balance at 31 March 2010		44,599	44,849	628	(46,272)	43,804
Grant from Parent		0	0	0	222,297	222,297
Transfers between reserves		0	(565)	0	565	0
Comprehensive Expenditure for the year		0	0	0	(237,087)	(237,087)
Movements in reserves						
IFRIC 12 adjustments		(3,129)	0	0	3,129	0
Other non current asset movements		(1,902)	0	0	2,039	137
Increase in bequests		0	0	0	29	29
In year revaluations		0	4,906	0	0	4,906
Change in share of JNCC		0	0	0	(53)	(53)
Balance at 31 March 2011		39,568	49,190	628	(55,353)	34,033

All reserves have had the prior year comparator (2009-10) restated to include Heritage Assets and related support assets which have for the first time been bought onto the Statement of Financial Position in the 2010-11 Report and Accounts.

Notes to the Financial Statements

1 Statement of accounting policies

1.1 Basis of accounting

- i) The Financial Statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FReM) issued by HM Treasury and the accounts direction issued by the Secretary of State, in accordance with Schedule 1, Sections 23 and 24 of the Natural Environment and Rural Communities Act 2006. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Natural England, for the purpose of giving a true and fair view has been selected.
- ii) The Financial Statements are intended, without limiting the information given, to meet the requirements of the Companies Act 2006 and the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) issued and approved by the International Accounting Standards Board (IASB) insofar as these requirements are appropriate.
- iii) The Financial Statements have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, intangible assets and inventories. Revaluation of non-current assets is taken to a Revaluation Reserve. Impairments are taken to the Revaluation Reserve where a balance exists for the asset, otherwise they are charged in year to the Statement of Comprehensive Net

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

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

Indexation of Non-Current Assets

Between professional quinquennial revaluations, all freehold Land and Buildings are updated annually where material using indices as stated in notes 1.4 & 1.5. Depreciation of these assets is spread across the deemed useful economic life, which also requires the use of judgement.

Employee Benefit Accrual

Natural England recognises a liability and expense for unused annual leave which is accrued to individual staff members at the reporting date in accordance with IAS 19 "Employee Benefits". This has been calculated based on unused annual leave for a sample of 100 employees and requires the use of estimation and judgement.

1.2 Going concern

The Statement of Financial Position at 31 March 2011 shows net assets of £34m. This includes Heritage Assets of £57m included in the Statement of Financial Position to meet the requirements of FRS 30. If the Heritage asset valuation is excluded then Natural England's financial position shows a deficit of £23m. This reflects the inclusion of liabilities falling due in future years (including severance and early retirement costs for which a provision of £18m has been established) which, to the extent that they are not to be met from Natural England's other sources of income, may only be met by future grants or grant-in-aid from Natural England's sponsoring department, the Department for Environment, Food and Rural Affairs. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grant-in-aid for 2011/2012, taking into account the amounts required to meet Natural England's liabilities falling due in that year, has already been included in the Department for Environment, Food and Rural Affairs estimates for that year, which have been approved by Parliament and there is no reason to believe that the department's future sponsorship and future parliamentary approval will not be forthcoming. We would expect that the liabilities due in later financial years primarily for IBM and Estates will similarly be met by the Department. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.3 Joint Nature Conservation Committee

Natural England incorporates the results of the Joint Nature Conservation Committee under the terms of IAS 31 "Interests in Joint Ventures", and includes its share of the JNCC's balances within its own accounts. Natural England's percentage contribution to the funding and its share of net revenue expenditure and ownership of the assets and liabilities of the JNCC for 2010/2011 are 28.14%, Defra share is 42.87%, Scottish Natural Heritage (SNH) share is 16.58%, Countryside Council for Wales (CCW) share is 8.28% and Department of Environment for Northern Ireland (DOENI) is 4.13%. The percentage contribution and overall budget is set by Defra in discussion with the devolved administrations in Scotland and Wales. The JNCC have not had to prepare their Annual Accounts in accordance with IFRS with effect from 1 April 2009, and still report on a UK GAAP basis due to their classification as a small entity. The only significant impact of IFRS for JNCC would be an accrual for staff annual leave not taken at the year end, and this amount would not be material for Natural England.

Since Natural England's vesting the Chief Executive of Natural England has had lead Accounting Officer responsibility for the JNCC. This responsibility ends with these accounts when under the Defra Clear Line of Sight changes, JNCC's Chief Executive became the responsible Accounting Officer from 1 April 2011.

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

- i) Non-current property, plant and equipment assets are carried at fair value, stated at the lower of replacement cost and recoverable amount. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of an asset is based on its present location and condition. Natural England has set a capitalisation threshold of £5k for assets except for land. The cost of individual items below this threshold is charged directly to the 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. Subsequent expenditure is recognised as an addition to the asset to the extent that the expenditure improves the condition of the asset beyond its previously assessed standard of performance.

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

- ii) All freehold land (except non-operational heritage assets – see 1.7 below) and buildings are stated at fair value, and are revalued every 5 years by professionally qualified valuers, on the basis of value in use, in accordance with the Royal Institution of Chartered Surveyors' Appraisal and

Valuation Manual (the Red Book). This revaluation was carried out during 2010/2011 by external valuers, The Valuation Office Agency, by their Royal Institute of Chartered Surveyors qualified staff.

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

- iii) All other assets are carried at fair value at depreciated historical cost. Up to 31 March 2009, short life assets such as vehicles were updated annually by means of a desk top review, using Price Index Numbers for Current Cost Accounting published by the Office for National Statistics. Agreement was reached with our auditors that from 1 April 2009, Natural England would stop indexing short life assets on a yearly basis, as the sums involved were immaterial.
- iv) Defra has entered into a contract with IBM for the supply of IT services, and Natural England are a party to this contract. The contract is for a term of eight years from February 2010. The contract falls within the scope of IFRIC 12 and is disclosed within the accounts as a service concession arrangement. A lease liability has been included to reflect the capital value payments to IBM to lease IT infrastructure assets throughout the duration of the 8 year contract. A matching asset has been raised to reflect the benefit that the Department will derive from having access to IBM's IT infrastructure assets. Depreciation has been applied on a straight line basis consistent with the department's depreciation policy. These IT infrastructure assets, which consist of laptops, servers and hardware, are classed as one tangible service concession asset under property, plant and equipment.

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

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

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

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

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

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

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

1.5 Intangible non-current assets and amortisation

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

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

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

1.6 Research and development

The costs arising from developing an intangible asset (both internal and external) should be capitalised if and only if, a number of criteria as outlined in IAS 38 are met. All other development expenditure and all research expenditure are written off in the year they occur to the Statement of Comprehensive Net Expenditure.

1.7 Heritage assets

“A Heritage Asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture”.

National Nature Reserves (NNRs) are 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. In accordance with FRS 30, NNRs have been treated as Heritage Assets in these financial statements.

As at 31 March 2011, there were 224 NNRs in England. Natural England owns 19,556 hectares of land comprising all or part of 147 NNRs. Further details of the ownership and management of all NNRs is shown in note 10. Heritage assets can be operational or non-

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

Where the NNR land has buildings attached to it, this will generally include visitor and information centres, offices for NNR staff and toilet facilities. These operational ‘support’ buildings are not classified as heritage assets, and are held generally for administrative purposes. They have therefore been classified as operational assets and have been treated in accordance with IAS 16 as other non-current property, plant and equipment. (See note 9.1).

Valuation

Heritage asset land and buildings are reported in the Statement of Financial Position at fair value, stated at market value. The land will be periodically revalued every five years by our internal valuers. The buildings will be periodically revalued every five years by an external valuer. In between these revaluations, values are updated annually where material, using indices from the Property Market Report issued by the Valuation Office.

Any surplus or deficit on valuation of the NNR’s compared to their historic cost is recognised in the revaluation reserve, and is reported in the Statement of Other Comprehensive Expenditure and Statement of Changes in Taxpayers’ Equity.

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

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

Livestock on the reserves are treated in accordance with IAS 41 Agricultural Biological Assets and are separately recognised in the Statement of Financial Position.

Acquisitions

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

1.8 Agricultural biological assets

In line with IAS 41 Agriculture biological assets are separately recognised in the Statement of Financial Position. The biological assets held by Natural England are the breeding cows and sheep at Parsonage Down Farm, Salisbury, and these are measured at fair value less costs to sell. The fair value of the cattle and sheep, is the price for the livestock in the relevant market less transport and other costs of getting the cattle to that market. Biological assets are not depreciated, but revalued at the end of each reporting period, and changes in fair value less costs are included in the Statement of Comprehensive

Net Expenditure. Lambs born close to the Statement of Financial Position date are not valued as valuations are unreliable until lambs reach maturity.

1.9 Impairment

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

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

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

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

impaired asset should be removed from the Revaluation Reserve and credited to the Revenue Reserve. Hence a transfer is made between the Revaluation Reserve and the Revenue Reserve to realign the Revaluation Reserve to IFRS (the adaptation).

1.10 Inventories

- i) Farm stock bred for sale is capitalised and covered above in 1.8 where it is treated as agricultural biological assets. Other farm stock has been valued at cost.
- ii) For other stocks Natural England uses the lower of cost and estimated net realisable value.
- iii) The stock valuation is adjusted for obsolete stock which is considered to be those stocks with levels of over 12 months worth of sales remaining and where it is considered unlikely that there will be any future income flow.

1.11 Financial Instruments

Natural England holds a range of financial instruments, aggregated into classes based on their nature. The majority of these relate to contracts for non-financial items in line with Natural England's expected purchase and usage requirements and is therefore exposed to little credit, liquidity or market risk. The financial instrument classes are described below:

1.11.1 Financial Assets

Trade receivables fall into this category. These are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables do not carry any interest and are recognised and carried at the lower of their original invoiced value or recoverable amount. Provision is made when there is objective evidence that the asset is impaired.

Balances are written off to the Statement of Comprehensive Net Expenditure when the probability of recovery is assessed as being remote, or it is uneconomic to do so.

1.11.2 Available for Sale Assets

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

1.11.3 Financial Liabilities

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

1.11.4 Managing risk in financial instruments

Natural England seeks to eliminate or minimise its exposure to interest rate and exchange rate risk by not making investments other than those described in Note 13 and by making formal agreements with partners as to how shortfalls or surpluses will be covered. Liquidity risk is managed through the management of Grant In Aid funding in accordance with the Financial Memorandum.

1.12 Taxation

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

1.13 Value added taxation (VAT)

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

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

Natural England receives Grant In Aid from the Department for Environment, Food and Rural Affairs and this has been treated as non-business income for the purposes of VAT.

1.14 Grant In Aid (GIA)

GIA received to support revenue expenditure is treated as a contribution from controlling parties and is credited to the revenue reserve. Grants for capital expenditure are also credited to the revenue reserve.

1.15 Grants receivable

Natural England receives grant funding from the European Union, the Rural Payments Agency and the Forestry Commission.

Government grants received to support revenue expenditure are treated as contributions from controlling parties and are credited to the revenue reserve.

Grant in aid for capital works is credited to the revenue reserve.

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

1.16 Grants payable

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

1.17 Operating Income

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

1.18 Cash and Cash Equivalents

Natural England uses the Government Banking Service (GBS – see note 17 for further information) and manages all its commercial accounts in accordance with HM Treasury's Banking Stewardship Guidance. The policy is to restrict the holding of cash balances.

1.19 Short term investments

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

1.20 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.

1.21 Notional Capital Charges

A charge, reflecting the cost of capital utilised by Natural England, was included in the Net Expenditure account up to 31 March 2010. The charge was calculated at the real rate set by HM Treasury on the average carrying amount of all assets less liabilities. From 2010/11 the HM Treasury Financial Reporting Manual (FRoM) stated that notional costs for the cost of capital should be excluded from the 2010/11 accounts.

1.22 Employee Benefits

1.22.1 Pension arrangements

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), full details of which can be found in note 5.4 and the Remuneration Report.

Although the PCSPS is a defined benefit scheme, those covered by the scheme recognise the cost of the elements on a systematic and rational basis over the period during which it benefits from employees' services, by payment to the

PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

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

1.22.2 Early Departure Costs

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

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

1.22.3 Other Employee Benefits

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

1.23 Leases

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

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

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

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

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

1.24 Provisions

Natural England provides for obligations arising from past events where it is probable that it will be required to settle the obligation

and a reliable estimate can be made. This is in accordance with IAS 37. Future costs have not been discounted unless they are significant.

1.25 Reserves

Natural England has 4 reserves established in accordance with IAS 1, IAS 20 and the FReM as follows;

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

Donated Asset Reserve – This only includes balances relating to donated heritage assets and was established as at 1 April 2010. This reflects the unrealised balance of the cumulative indexation and revaluation adjustments to donated assets.

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

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

1.26 Contingent liabilities

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

2 Disclosure of IFRSs in issue not yet effective

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

IFRS 9 Financial Instruments, classification and measurement will be applied to future accounting periods. IFRS 9 Financial Instruments was implemented in November 2009 and will be effective for financial reporting periods beginning on or after 1 January 2013. The new standard simplifies the classification and measurement of financial assets, previously reported under IAS 39 Financial Instruments: Recognition and Measurement. Natural England will apply the new standards for the accounting period ending 31 March 2013 and for comparative periods. These amendments are unlikely to impact upon Natural England as it is exposed to little credit, liquidity or market risk.

IAS 24 Related Party Disclosures was amended on 4 November 2009 and will be effective for accounting periods starting on or after 1 January 2011. The revised standard simplifies and clarifies the definition of a related party. The revised standard will not have a material impact upon Natural England's Accounts.

3 Major FReM changes and prior period adjustments

i) For 2010/11

a) The 2010-11 FReM states that notional costs for the cost of capital should not be included within 2010-11 accounts. As the removal of cost of capital is a change in accounting policy and material by nature it therefore requires a restatement in the 2010-11 accounts. Under IAS 1 any retrospective restatement requires three years of Statements of Financial Positions to be produced. For Natural England the cost of capital was a credit to the Statement of Comprehensive Net expenditure which was then reversed out in the Revenue reserve, hence having a net nil overall effect (see 3 iii below).

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

- Impairments from a general fall in prices are charged against the Revaluation Reserve where the asset has previously been revalued, with any excess of impairment over revaluation being charged to the Statement of Comprehensive Net Expenditure (no change here as per previous practice).

- All impairments caused by consumption of economic benefits/ loss of economic value will continue to be charged to the Statement of Comprehensive Net Expenditure in full. However any amount in the Revaluation Reserve relating to the impaired asset should be removed from the Revaluation Reserve and credited to the Revenue Reserve. Hence a transfer is made between the Revaluation Reserve and the Revenue Reserve to realign the Revaluation Reserve to IFRS (the adaptation).

ii) For 2011/12

Natural England has reviewed the major FReM changes for 2011/12 and determined the following will have no significant impact on the financial statements:

CLoS - In 2011-12, under HM Treasury's Clear Line of Sight project, Defra's accounting boundary will be expanded to include a number of NDPBs and other public sector bodies including Natural England. Further details of the project are at: http://www.hm-treasury.gov.uk/psr_clear_line_of_sight_intro.htm

Since Natural England's vesting the Chief Executive of Natural England has had lead Accounting Officer responsibility for the Joint Nature Conservation Committee (JNCC), assisted by the Chief Executives of the Countryside Council for Wales, Scottish Natural Heritage and the Department of Environment for Northern Ireland. This responsibility ended 31 March 2011 and with these accounts, when under the Defra Clear Line of Sight changes, JNCC's Chief Executive became the responsible Accounting Officer from 1 April 2011.

iii) Prior period adjustments (restatements) included within the 2010/11 accounts

a) Prior Period Adjustment – Cost of Capital

In line with HM Treasury guidance, a prior period adjustment has been included for the removal of the cost of capital charge. The impact of this accounting policy on the net expenditure account in respect of 2009-10 is shown below:

	2009-10 £'000
Net expenditure	230,273
Removal of the cost of capital	1,389
Adjusted net expenditure	231,662

b) Prior Period Adjustment – Heritage Assets

Natural England have adopted FRS 30, Heritage Assets, for the first time in these financial statements. The impact of this accounting policy changes is to recognise the assets in the Statement of Financial Position from 1 April 2009 as shown below:

2008-09	Published 31 March 2009 £'000	Inclusion of Heritage assets £'000	Restated 1 April 2009 £'000
Heritage Assets	0	48,967	48,967
Property, Plant & Equipment	18,509	5,666	24,175
Adjusted Assets	18,509	54,633	73,142
Capital Reserve	19,188	17,100	36,288
Donated Asset Reserve	0	628	628
Revenue Reserve	(66,930)	0	(66,930)
Revaluation Reserve	2,444	36,905	39,349
Adjusted Reserves	(45,298)	54,633	9,335

2009-10	Published 31 March 2010 £'000	Inclusion of Heritage assets £'000	Restated 31 March 2010 £'000
Heritage Assets	0	52,046	52,046
Property, Plant & Equipment	30,092	5,668	35,760
Adjusted Assets	30,092	57,714	87,806
Capital Reserve	30,194	14,405	44,599
Donated Asset Reserve	0	628	628
Revenue Reserve	(46,273)	1	(46,272)
Revaluation Reserve	2,169	42,680	44,849
Adjusted Reserves	(13,910)	57,714	43,804

Both the 2008-09 and the 2009-10 figures have been restated as shown above to reflect the inclusion of heritage assets within the accounts.

4 Analysis of Net Expenditure and Assets by Segment

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

Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

	Operational Segments				Corporate Services £'000	JNCC £'000	Total £'000
	Regional Delivery £'000	National Delivery £'000	Evidence & Analysis £'000	External Affairs £'000			
Staff Costs	58,341	31,168	13,260	3,612	14,178	0	120,559
Non pay running & other Operating costs	5,845	4,830	3,427	279	5,159	0	19,540
Genesis	0	23,375	0	0	0	0	23,375
IBM IT Contract	0	0	0	0	21,451	0	21,451
Estates & Shared Services	0	0	0	0	14,320	0	14,320
Programme & Grant expenditure	28,154	9,434	7,046	328	5,107	2,914	52,983
Depreciation & Impairment	0	0	0	0	4,461	0	4,461
Total Expenditure	92,340	68,807	23,733	4,219	64,676	2,914	256,689
Income	(2,090)	(11,565)	(1,121)	(23)	(4,463)	(340)	(19,602)
Net Expenditure	90,250	57,242	22,612	4,196	60,213	2,574	237,087

Statement of Comprehensive Net Expenditure for the year ended 31 March 2010

	Operational Segments				Corporate Services £'000	JNCC £'000	Total £'000
	Regional Delivery £'000	National Delivery £'000	Evidence & Analysis £'000	External Affairs £'000			
Staff Costs	48,815	24,612	11,017	3,301	8,715	0	96,460
Non pay running & other Operating costs	6,260	5,821	1,380	2,070	10,572	0	26,103
Genesis	0	22,048	0	0	0	0	22,048
IBM IT Contract	0	0	0	0	14,204	0	14,204
Estates & Shared Services	0	0	0	0	15,191	0	15,191
Programme & Grant expenditure	44,079	14,097	10,132	143	0	3,880	72,331
Depreciation & Impairment	0	0	0	0	4,564	0	4,564
Total Expenditure	99,154	66,578	22,529	5,514	53,246	3,880	250,901
Income	(11,164)	(4,509)	(951)	(116)	(1,466)	(1,033)	(19,239)
Net Expenditure	87,990	62,069	21,578	5,398	51,780	2,847	231,662

5.1 Staff costs

	2010/2011 £000	2009/2010 £000
Permanent staff salaries and allowances		
Chair and Acting Chair	73	73
Members	281	307
Staff ^{Note a}	77,454	73,186
	77,808	73,566
Pension costs		
Accruing Superannuation Liability Charge Payment	14,260	13,702
Partnership pension contributions	98	87
	14,358	13,789
Permanent staff social security costs		
Chair	7	7
Members	27	29
Staff	5,881	5,406
	5,915	5,442
Agency and temporary staff ^{Note b}	3,456	2,624
Inward secondees	336	698
Temporary staff social security	30	87
Other staff costs	426	350
Sub total	102,329	96,556
Less recoveries in respect of outward secondments	16	(149)
Transfer to/ (from) Early retirement and severance provision ^{Note c}	18,214	53
Total net costs	120,559	96,460

Notes:

- a) In accordance with IAS 19 Employee Benefits, £2.2m (£2.6m 2009/10) has been included in staff salaries for annual leave not taken at 31 March 2011.
- b) Agency and temporary staff costs increased in 2010/11 in order to meet the planned peaks of work Defra asked us to undertake for ELS renewals and the Rural Land Register (RLR) refresh. These additional temporary staff had left Natural England by 31 March 2011.
- c) The early retirement and severance provision represents the estimated costs of early retirement or voluntary redundancy for staff choosing to leave Natural England as part of the move to a new business model for delivery.
- d) Staff costs have risen by 5% in the period. Although over 100 staff left due to natural turnover and the application of tight manpower controls in 2010/11 they left towards the end of the year. Natural England honoured the second year of a two year pay agreement with staff which raised payroll costs by 2%. As described in the financial commentary we have moved to a new business model with effect from 1 April 2011 which enables us to continue to deliver with 400 fewer staff.

5.2 Staff numbers

	2010/2011 £000	2009/2010 £000
The average number of whole-time equivalent persons employed during the year was as follows:		
Permanent staff		
Management	182	175
Operational	1,978	1,888
Administration	306	350
	2,466	2,413
Temporary and contract staff		
Management	2	3
Operational	267	174
Administration	11	46
	280	223
Total	2,746	2,636

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

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

Exit package cost band	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	3	3
£10,000 - £25,000	1	1
£25,000 - £50,000	2	2
£50,000 - £100,000	1	1
£100,000 - £150,000	1	1
£150,000 - £200,000	0 (09/10 = 1)	0 (09/10 = 1)
Total number of exit packages by type	8 (09/10 = 1)	8 (09/10 = 1)
Total resource cost (£'000)	300	300

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

There were no compulsory redundancies in either 2010/11 or 2009/10. Prior year figures for 2009/10 are shown in brackets.

5.4 Pension commitments

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

For 2010/2011, employers' contributions of £14.3m were payable to the PCSPS (2009/2010 £13.7m) at one of the four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of benefits accruing during 2010/2011 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £98k were paid to one or more of the panel of three appointed stakeholder pension providers (2009/2010 £87k). Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. The Employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable pay. In addition, employers also contribute a further 0.8% of pensionable pay, to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Contributions due to the partnership pension providers at the Statement of Financial Position date were £17k (£17k 2009/2010).

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

Civil Service Pensions

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

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

1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

Further details about the Civil Service Pension arrangements can be found at the website www.civilservice-pensions.gov.uk/my-civil-service/pensions/index.aspx.

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

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

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

The present value of scheme liabilities were:	Value at 31/03/2011 £'000	Value at 31/03/2010 £'000	Value at 31/03/2009 £'000	Value at 31/03/2008 £'000	Value at 31/03/2007 £'000
Liability in respect of					
Active members	65	67	33	273	224
Deferred Pensioners	0	0	0	0	0
Current Pensioners	129	148	133	0	0
Total present value of scheme	194	215	166	273	224

The major assumptions used by the actuary were:	2010/2011	2009/2010	2008/2009
Rate of increase in salary	4.90%	4.29%	4.29%
Rate of increase in pension payment and deferred pensions	2.65%	2.75%	2.75%
Rate used to discount scheme liabilities	5.60%	4.60%	6.04%
Inflation assumption ^{Note a}	2.65%	2.00%	2.75%

Expenses to be recognised in profit or loss:	£000	£000	£000
Current service cost (net of employee contributions)	23	19	34
Interest on pension liabilities	9	10	10
Past service cost ^{Note a}	(23)	0	0
Total expense/ (income)	9	29	44

Actuarial gains/losses to be recognised in other comprehensive income:	£000	£000	£000
Experience loss/ (gain) arising on the scheme liabilities	(5)	(10)	69
Changes in assumptions underlying the present value of the scheme liabilities	(18)	37	(16)
Net total actuarial loss/ (gain) in other comprehensive income	(23)	27	53

History of experience losses/ (gains):	31 March 2011	31 March 2010	31 March 2009	31 March 2008	31 March 2007
Experience loss/ (gain) arising on the scheme liabilities					
Amount (£'000's)	(5)	(10)	69	7	30
Percentage of scheme liabilities at the end of year	(2.3)%	(4.9)%	41.6%	2.4%	13.4%

Estimate of contributions expected to be paid into the scheme over the year 1 April 2011 to 31 March 2012:		£'000
Employer contributions		17
Employee contributions		3

Movement in scheme liabilities during the year:	2010/2011 £'000	2009/2010 £'000	2008/2009 £'000
Scheme liabilities at beginning of the year	215	166	273
Movement in year:			
Current service cost (net of employee contributions)	23	19	34
Employee contributions	3	3	11
Interest cost	9	10	10
Actuarial loss/(gain)	(23)	27	53
Benefits paid	(10)	(10)	(215)
Past service cost ^{Note a}	(23)	0	0
Scheme liabilities at end of the year	194	215	166

Note a - In the UK Budget Statement of 22 June 2010, the Chancellor of the Exchequer announced that, with effect from 1 April 2011, the Government would use the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) for the price indexation of benefits and tax credits; and that this would also apply to public service pensions through the statutory link to the indexation of the Second State Pension.

The change from RPI (2008/09 above figures) to CPI (2010/11 & 2009/10 restated above figures) for the purposes of uprating index-linked features of post employment benefits has been recognised as a negative past service cost in accordance with IAS19. The interest cost calculated for the period following this change has been adjusted to reflect the impact of this reduction in the scheme liabilities. This accounting treatment has been adopted by all central Government reporting entities where RPI has been used for inflation indexing for many years.

The question of whether, as regards the main public service pension schemes, there is a legitimate expectation that RPI will be used for inflation indexing is currently before the courts in judicial review proceedings. The Government case is that no legitimate expectation exists and that, in any event, even if there was a legitimate expectation this was overridden by the clear public interest in making very substantial savings at a time when the Government had adjudged that deficit reduction was a fundamental objective for the country. If the Government's case is proven, there would be no change to the accounting treatment adopted in these accounts.

6 Other expenditure

		2010/2011 £'000	Restated 2009/2010 £'000
Programme Expenditure (excluding RDPE)		17,910	21,799
Programme Expenditure – Bolton Fell Moss		0	9,000
Programme expenditure – Research & Development		7,248	8,509
Programme expenditure – Other Operating lease rentals		746	730
Grant Expenditure		24,165	28,413
Subtotal – Programme & Grant expenditure		50,069	68,451
Genesis system		23,375	22,048
IBM IT contract recharges		21,451	14,204
Estates recharges from Defra		7,255	7,033
Office rentals under operating leases		3,180	4,365
Staff travel and subsistence costs		3,261	4,063
Shared service recharges		3,885	3,793
Consultancy		2,086	4,343
IT enhancements		3,587	3,421
Staff support costs		2,774	3,100
Information and publicity		691	2,631
Estates management costs		(391)	2,665
Legal fees		1,075	133
Provision provided for in year: Litigation	20	0	750
Printing and stationery		943	1,202
Subscriptions and agents fees		310	439
Vehicle costs		515	455
Impairments charged to net expenditure	14	319	3
NAO audit fee for the year		150	165
Other audit fees		201	164
Interest charges		3	2
Loss on disposal of Property, Plant & Equipment		635	140
Other operating costs		1,421	1,661
Provision provided for in year: Dilapidations & Onerous contracts	20	1,960	769
Depreciation	9.1 & 9.2	3,867	4,066
Amortisation	9.1 & 9.2	594	495
JNCC shared conservation	8.2	2,914	3,880
TOTAL OTHER EXPENDITURE		136,130	154,441

Notes: Natural England receives IT services from IBM as part of the Defra IT contract with IBM which was renewed in February 2010. Under the terms of this agreement charges to Natural England rose significantly in the period. Natural England received funding from Defra to cover this increase.

The graph on page 54 aligns Programme and grant expenditure in terms of our outcomes.

The main areas programme expenditure supported were:

Outcome one: A healthy natural environment

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

- Marine Programme – The Marine Campaign focuses on the establishment of a network of marine protected areas. England has some of the finest marine wildlife in Europe, with dramatic underwater habitats and landscapes, and over 10,000 types of plant and animal. England only has one marine protected area where all wildlife is protected from damaging activities: on Lundy island off the North Devon coast.

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

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

Outcome three: Sustainable use of the natural environment

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

Outcome four: A secure environmental future

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

Key schemes which grant funding supported were;

Outcome one: A healthy natural environment

- Areas of Outstanding Natural Beauty – The National Parks and Access to the Countryside Act, 1949 established how the countryside could be protected and enjoyed in the future. The act paved the way for the 224 National Nature Reserves we have in England today, 49 Areas of Outstanding Natural Beauty and over 2,500 miles of National Trails in England and Wales.
- Countdown 2010 – This £5.5 million fund was launched on 22 May 2008 to help achieve the UK government's commitment to halt the loss of biodiversity by 2010, through supporting the recovery of priority species and habitats in England. This commitment to halt biodiversity loss was made by European leaders at the 2001 EU Summit in Gothenburg and the

Countdown 2010 initiative seeks to raise awareness of this target. Following on from an open grant application process, 38 projects were awarded funding on 6 October 2008. The projects are all run by voluntary organisations and are directly contributing towards the conservation of UK Biodiversity Action Plan (BAP) priority habitats and species in England.

- Wetland vision – 'England's wetlands have received £2 million to save threatened plants animals and habitats. Wetlands manage water, protect wildlife, store carbon and preserve buried archaeology.

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

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

Outcome three: Sustainable use of the natural environment

- Catchment Sensitive Farming capital grants – land management that keeps diffuse emissions of pollutants to levels consistent with the ecological sensitivity and uses of rivers, groundwaters and other aquatic habitats, both in the immediate catchment and further downstream.
- Aggregates Levy Sustainability Fund – This scheme aims to reduce the adverse effects, and improve the benefits, that quarrying has on the environment, local area and

its community. It does this by supporting a variety of projects that answer specific themes.

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

£23.1m (2009/2010 £22.9m) of the above grant expenditure was paid to other government bodies and £1.1m (2009/2010 £5.4m) was paid to farmers and the private sector.

Forward commitments on grant offers made and accepted at or by 31 March 2011 totalled £2.5m (2009/2010 £14.9m) this all related to National Trails (2009/2010 £3.4m). There were no commitments for Areas of Outstanding Natural Beauty (2009/2010 £9.5m) or Countdown 2010 Biodiversity Action Fund (2009/2010 £2.0m).

It is Natural England's responsibility to administer the major part of the Rural Development Programme for England with payments made via the Rural Payments Agency, which is the delegated paying agency. As a consequence there is around £405.1m (2009/2010 £360.8m) of gross programme spend administered by Natural England but accounted for by Defra. These funds are administered using the Genesis and AESIS systems.

Consultancy costs have decreased due to the implementation of tighter controls over the appointment of consultants and the government spending controls in May 2010. The remaining consultancy expenditure in 2010/11 relates to contracts for projects that already existed at 1 April 2010:

- Support for the Genesis IT system;
- The implementation of our business change programme;
- The Estates transition programme;
- Land Management Performance Programme; and
- public inquiries and other expert support.

7 Income

	2010/2011 £000	2009/2010 £000
Income from activities:		
Contribution from Defra re Bolton Fell Moss	0	9,000
Big Lottery Fund (restricted income)	5,067	1,261
Contributions from conservation partners	628	856
Programme income	26	846
Single Farm Payments	654	643
National Lottery Grants	1,564	527
Income from National Nature Reserves	821	458
Sales of publications	32	68
Advice and other services	12	25
Sub-total income from activities	8,804	13,684
Other income:		
Contributions, rents and recharges	4,634	2,716
Defra contribution for Genesis Improvements	2,594	1,150
RDPE Technical Assistance Fund	1,509	0
Walking the way to Health	1,703	612
Other European Union Receipts	14	75
Foreign exchange gains	0	(34)
Interreg Funds	0	0
JNCC shared conservation income	340	1,033
Sub-total other income	10,794	5,552
	19,598	19,236

The Big Lottery Fund income is a restricted fund from the National Lottery used to support the Access to Nature project, details of which are shown in note 7 above. The income not applied in 2010/11 carried forward to fund the project from 2011-12 onwards totals £681,212 (see deferred income included in note 18.1).

In 2009-10 Natural England entered into a management and purchase agreement with a private company relating to property at Bolton Fell Moss, Cumbria. Under the agreement signed on 22 March 2010, in return for an advance payment, it was agreed to phase out peat extraction to a defined programme with complete cessation no later than November 2013. The project was fully backed by Defra, and the costs relating to the agreement were 100% reimbursed by Defra. The Walking the Way to Health initiative encourages people, particularly those who take little or no exercise, to join regular, short health walks in their own communities. The Department of Health fund the initiative.

8.1 JNCC shared conservation income

	2010/2011 £000	2009/2010 £'000
Income from activities	305	941
European Union funds	35	92
	340	1,033

8.2 JNCC shared conservation expenditure

	2010/2011 £000	2009/2010 £'000
Staff costs	1,620	2,023
Conservation support	898	1,196
Other operating costs	364	577
Information and publicity	32	80
Notional costs	0	4
	2,914	3,880

Natural England's share of JNCC has reduced from 37.07% in 2009/10 to 28.14% in 2010/11. The percentage contribution of Natural England to JNCC is set by Defra in discussion with the devolved administrations in Scotland, Wales and Northern Ireland. See note 1.3 for further information.

9.1a Property, plant and equipment

	Land £000	Buildings £000	Leasehold improvements £000	Plant & machinery £000	Vehicles £000	Furniture & Fittings £000	Information Technology £000	Assets under construction (AUC) £000	Service Concessions Assets £000	Share of JNCC assets £000	Total £000
Gross Cost or valuation:											
31 March 2010	6,710	3,642	1,975	4,066	4,524	4,614	2,045	883	20,971	299	49,729
IBM Asset Adjustment	0	0	0	0	0	0	0	0	(932)	0	(932)
Restated balance at 1 April 2010	6,710	3,642	1,975	4,066	4,524	4,614	2,045	883	20,039	299	48,797
Assets identified not previously recorded	0	0	0	201	0	0	0	0	0	0	201
Additions	0	206	1,576	207	269	71	602	0	0	20	2,951
Disposals	0	(368)	(303)	(87)	(370)	(883)	0	0	0	(54)	(2,065)
Transfer from AUC	0	154	0	0	0	729	0	(883)	0	0	0
Transfer to Assets held for sale	0	(445)	0	0	0	0	0	0	0	0	(445)
Revaluation	274	198	0	0	0	0	0	0	0	0	472
Impairment	(256)	(772)	0	0	0	0	0	0	(2,197)	(3)	(3,228)
Change in share of JNCC	0	0	0	0	0	0	0	0	0	(95)	(95)
At 31 March 2011	6,728	2,615	3,248	4,387	4,423	4,531	2,647	0	17,842	167	46,588

Depreciation:												
Restated balance at 1 April 2010	0	370	226	2,938	3,370	1,611	712	0	4,509	233	13,969	
Assets identified not previously recorded	0	0	0	64	0	0	0	0	0	0	64	
Charged in year	0	87	221	358	385	427	432	0	1,957	20	3,887	
Disposals	0	(2)	(53)	(87)	(369)	(755)	0	0	0	(64)	(1,330)	
Transfer to Assets held for sale	0	(89)	0	0	0	0	0	0	0	0	(89)	
Revaluation	0	0	0	0	0	0	0	0	0	(2)	(2)	
Impairment	0	(366)	0	0	0	0	0	0	0	0	(366)	
Change in share of JNCC	0	0	0	0	0	0	0	0	0	(80)	(80)	
At 31 March 2011	0	0	394	3,273	3,386	1,283	1,144	0	6,466	107	16,053	
Written down net												
at 31 March 2011	6,728	2,615	2,854	1,114	1,037	3,248	1,503	0	11,376	60	30,535	
At 31 March 2010	6,710	3,272	1,749	1,128	1,154	3,003	1,333	883	16,462	66	35,760	
Asset Financing:												
Owned	6,728	2,615	0	1,114	1,037	3,248	1,503	0	0	60	16,305	
Leased	0	0	2,854	0	0	0	0	0	11,376	0	14,230	
Net book value at 31 March 2011	6,728	2,615	2,854	1,114	1,037	3,248	1,503	0	11,376	60	30,535	

All freehold land (except non-operational heritage assets) and buildings are stated at fair value, and are revalued every 5 years by professionally qualified valuers, on the basis of value in use, in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual (the Red Book). This revaluation was carried out during 2010/2011 by external valuers, Valuation Office Agency, by their Royal Institute of Chartered Surveyors qualified staff. In between professional revaluations, values are updated annually where material, using indices from the Property Market Report issued by the Valuation Office.

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

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

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

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

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

9.1b Restated 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	Share of JNCC assets £000	Total £000
Gross Cost or valuation:											
Balances 31 March 2009	1,834	2,116	1,436	3,978	5,061	4,134	2,343	1,273	8,466	332	30,973
Adjustment to Opening Balances	4,854	814	0	0	0	0	0	0	0	0	5,668
Balances at 1 April 2009	6,688	2,930	1,436	3,978	5,061	4,134	2,343	1,273	8,466	332	36,641
Reclassifications	0	0	0	0	0	0	(525)	0	0	0	(525)
Assets identified not previously recorded	0	0	0	116	0	0	0	0	0	0	116
Additions	0	246	543	231	356	1,239	255	883	0	6	3,759
Disposals	0	0	0	(259)	(893)	(1,566)	(28)	0	0	(66)	(2,812)
Transfer from AUC	0	466	0	0	0	807	0	(1,273)	0	0	0
Net Revaluation	22	0	(4)	0	0	0	0	0	12,505	27	12,550
At 31 March 2010	6,710	3,642	1,975	4,066	4,524	4,614	2,045	883	20,971	299	49,729

	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	Share of JNCC assets £000	Total £000
Depreciation:											
Balances 31 March 2009	0	272	82	2,815	3,743	2,625	462	0	2,226	239	12,464
Reclassifications	0	0	0	0	0	0	(105)	0	0	0	(105)
Assets identified not previously recorded	0	0	0	47	0	0	0	0	0	0	47
Charged in year	0	98	144	305	503	337	358	0	2,283	38	4,066
Disposals	0	0	0	(229)	(876)	(1,351)	(3)	0	0	(65)	(2,524)
Net Revaluation	0	0	0	0	0	0	0	0	0	21	21
At 31 March 2010	0	370	226	2,938	3,370	1,611	712	0	4,509	233	13,969
Written down net											
at 31 March 2010	6,710	3,272	1,749	1,128	1,154	3,003	1,333	883	16,462	66	35,760
at 31 March 2009	1,834	1,844	1,354	1,163	1,318	1,509	1,881	1,273	6,240	93	18,509
Asset Financing:											
Owned	6,710	3,272	0	1,128	1,154	3,003	1,333	883	0	66	17,549
Leased	0	0	1,749	0	0	0	0	0	16,462	0	18,211
Net book value at 31 March 2010	6,710	3,272	1,749	1,128	1,154	3,003	1,333	883	16,462	66	35,760

Note: Property, Plant and Equipment balances bought forward as at 1 April 2009 have been restated to include transfers to Non-Operational & Operational Heritage Assets and other assets identified as part of this exercise. This is in accordance with Financial Reporting Standard 30 (FRS 30) and the Government FRM.

9.2a Intangible assets

	Software licences £000	Work in progress (WIP) £000	Share of JNCC assets £000	Total £000
Cost or valuation:				
At 1 April 2010	2,994	0	87	3,081
Additions	0	0	6	6
Disposals	0	0	0	0
Revaluation	0	0	1	1
Change in share of JNCC	0	0	(37)	(37)
At 31 March 2011	2,994	0	57	3,051

Amortisation:				
At 1 April 2010	820	0	60	880
Charged in year	594	0	9	603
Disposals	0	0	0	0
Net Revaluation	0	0	(5)	(5)
Change in share of JNCC <small>Note a</small>	0	0	(33)	(33)
At 31 March 2011	1,414	0	31	1,445

Written down values:				
at 31 March 2011	1,580	0	26	1,606
at 31 March 2010	2,174	0	27	2,201

Note a: Change in percentage consolidated due to change in funding levels across the funding partners.

9.2b Intangible assets

	Software licences £000	Work in progress (WIP) £000	Share of JNCC assets £000	Total £000
Cost or valuation:				
As at 1 April 2009	1,730	516	79	2,325
Reclassifications	525	0	0	525
Additions	223	0	0	223
Disposals	0	0	0	0
Revaluation	0	0	8	8
Transfer from WIP	516	(516)	0	0
At 31 March 2010	2,994	0	87	3,081

Amortisation:				
At 1 April 2009	232	0	41	273
Reclassifications	105	0	0	105
Charged in year	483	0	12	495
Disposals	0	0	0	0
Revaluation	0	0	7	7
At 31 March 2010	820	0	60	880

Written down values:				
at 31 March 2010	2,174	0	27	2,201
at 31 March 2009	1,498	516	38	2,052

10 Non-current Heritage assets

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

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

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

As at 31 March 2011 there were 224 NNRs in England. Of these, 131 are managed by Natural England, which either owns the freehold [19,556 ha] or holds a lease [29,714 ha] or Nature Reserve Agreement (NRA) on the land [15,389 ha]. 77 NNRs are wholly managed by an external Approved Body and 16 NNRs are managed by both Natural England and one or more Approved Bodies. The value of the NNRs that are not owned by Natural England have not been reflected in these financial statements.

The area of declared NNRs in England is as follows	31 March 2011 Hectares	31 March 2010 Hectares
Land owned by Natural England	19,556	19,556
Land leased by Natural England	29,714	29,714
Land under Nature Reserve Agreements	15,389	15,389
NNRs managed wholly or partly by Approved Bodies	29,691	29,691
	94,350	94,350

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

Management, Maintenance, Enhancements & Improvements

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

Natural England has an ongoing programme of achieving and maintaining favourable condition of its NNRs, as measured by Common Standards Monitoring. The target condition for Natural England managed NNRs for 2010/11 was 97%. The figure at 31 March 2011 was 98.5%.

Policy for acquisition

Natural England will seek to extend the network of NNRs across England by strategic additions to the series. Prospective acquisitions are assessed against agreed selection guidelines. Extensions are approved by a Natural England Executive Director, whilst new sites are approved by Natural England's Non-Executive Board. A site review against these guidelines was commenced in 2010.

Records

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

Access

An exercise to assess visitor numbers to and visitor enjoyment of Natural England's NNRs was planned for 2010, but postponed due to Government spending controls. The most recent assessment of visitor numbers was for 2006-7, when 16 million visits to NNRs were estimated, 4 million of which were to Natural England's reserves. A specific programme to engage children was initiated in 2010 and a record was kept of children between the ages of 5 and 16, attending the programme. A total of 55,190 children participated in the year compared with the target of 45,395.

Natural England dedicates a section of its website to NNRs. Individual sites have a dedicated web page with site descriptions and maps. Many have downloadable leaflets. There is a diary of public events on Natural England's NNRs.

Acquisitions and Disposals

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.

It is not our intention to dispose of these assets in the foreseeable future, given their importance to the natural environment.

Heritage assets reported at valuation;	Non Operational NNR Land £000	Operational NNR Land £000	Total £000
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

There were no additions, donations, disposals or impairments to Heritage assets in 2010-11.

Heritage assets reported at valuation;	Non Operational NNR Land £000	Operational NNR Land £000	Total £000
Gross cost At 1 April 2009	47,277	1,690	48,967
Revaluation	3,079	0	3,079
At 31 March 2010	50,356	1,690	52,046

There were no additions, donations, disposals or impairments to Heritage assets in 2009-10.

In accordance with Financial Reporting Standard 30 (FRS 30 - the guidance relating to Heritage assets) and the Government FReM, the financial statements should contain a summary of transactions for the accounting period and each of the previous four accounting periods. FRS 30 does though permit the summary to be built up going forward, hence as this is the first year, that the standard has been applied only two years of information are provided above.

The Non operational NNR land is reported in the Statement of Financial Position at fair value, stated at market value. The operational asset is valued in line with other Property, Plant and equipment assets in line with IFRS 16, please see note 9 for details. Both Non Operational and Operational Heritage Assets are revalued every 5 years. This is carried out by Natural England's internal, and external professionally qualified valuers respectively in accordance with the Royal Institution of Chartered Surveyor's Appraisal and Valuation Manual (the Red Book). This revaluation was carried out during 2010/11. In between professional revaluations, values are updated annually where material, using indices from the Property Market Report issued by the Valuation Office.

11 Agricultural biological assets

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

	Breeding cows £'000	Pedigree Longhorn cows £'000	Ewes £'000	Rams £'000	Total £'000
As at 1 April 2010	40	13	17	1	71
Additions	0	0	1	0	1
Disposals	(1)	0	(3)	0	(4)
Revaluations	0	0	0	0	0
As at 31 March 2011	39	13	15	1	68
As at 1 April 2009	36	11	19	2	68
Additions	6	3	10	0	19
Disposals	(2)	(1)	(19)	0	(22)
Revaluations	0	0	7	(1)	6
As at 31 March 2010	40	13	17	1	71
Physical quantities of each of the biological assets;					
As at 31 March 2011	77	27	161	7	272
As at 1 April 2010	79	26	197	8	310

12 Current assets classified as held for sale

Cost or valuation:	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
As at 1 April	0	1,004	485
Assets identified as "held for sale in year"	445	0	1,115
Disposals	0	(1,004)	(485)
Revaluations	0	0	(100)
As at 31 March	445	0	1,015
Cumulative Depreciation:			
Depreciation as at 31 March	(89)	0	(11)
Written down values:	356	0	1,004

As at 31 March 2011, Natural England holds one property for sale as follows;

Slepe Farm, Arne, Wareham, Dorset.

13 Financial instruments

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

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

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

Liquidity risk

As the cash requirements of Natural England are met through Grant-in-Aid provided by the Department for Environment, Food and Rural Affairs, Natural England is not exposed to significant liquidity risks.

Interest rate risk

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

Credit risk

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

Foreign currency risk

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

Financial assets/liabilities

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

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

	31 March 2011 (£'000)	31 March 2010 (£'000)
Short term investments in relation to Bequest funds	293	293
Project Cash in commercial bank accounts	2,549	2,105

14 Impairment

	2010/2011 £000	2009/2010 £000	2008/2009 £000
Charge to Statement of Comprehensive Net Expenditure	319	3	249
Charge to Revaluation Reserve	709	248	60
	1,028	251	309

15 Inventories

Cost or valuation:	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Farm stocks	76	78	81
JNCC publications	8	19	20
	84	97	101

16 Trade receivables and other current assets

16.1 Amounts falling due within one year:

	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Defra receivables & accrued income	Note b 4,018	Note a 9,695	172
Trade receivables	96	738	1,730
Other receivables	55	421	1,690
Aggregates Levy Sustainability Fund accrued Grant in Aid income	0	4,500	0
Prepayments & accrued income	1,107	846	304
JNCC shared conservation	104	102	111
	5,380	16,302	4,007

Note: a) Includes £9m of income relating to Bolton Fell Moss as disclosed in note 7.

b) Includes £654K Single Farm payment & £1.509m RDPE Technical assistance funding.

16.2 Amounts falling due after one year:

	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Housing loans to staff	11	21	29
Accrued income	0	0	19
	11	21	48

Housing loans relate to loans inherited from predecessor organisations, Natural England has not carried on this practice of giving housing loans to staff at preferential interest rates. As at 31 March 2011, loans over £2,500 outstanding to staff both due within one year and after one year amounted to £10,473 (£22,457 at 31 March 2010). The numbers of staff in receipt of loans over £2,500 outstanding at 31 March were:

	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
£2,500 to £5,000	1	3	4
£5,001 to £10,000	1	2	3

No Executive Director had a loan.

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

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

Natural England is committed to disclose the balances between itself and other bodies within the public sector. The amounts falling due as at 31 March were:

Intra-Government Balances	2010/2011		2009/2010	
	Accounts Receivable: amounts falling due within one year £000	Accounts Receivable: amounts falling due after more than one year £000	Accounts Receivable: amounts falling due within one year £000	Accounts Receivable: amounts falling due after more than one year £000
Balances with other central government bodies – Defra	1,644	0	14,195	0
Balances with other central government bodies – Other	910	0	909	0
Balances with local authorities	41	0	123	0
Balances with NHS Bodies	13	0	4	0
Balances with public corporations	848	0	38	0
Balances with bodies external to government	1,924	11	1,033	21
Total at 31 March	5,380	11	16,302	21

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

17 Cash and cash equivalents

	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Balance at 1 April	17,117	13,682	7,800
Net change in cash and cash equivalent balances	(6,260)	3,435	5,882
Balance at 31 March	10,857	17,117	13,682

The following balances at 31 March were held at:

	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Government Banking Service Accounts	7,857	14,378	11,775
Commercial bank accounts	2,549	2,105	1,408
JNCC balances	159	341	236
Short term investments	292	293	263
Balance at 31 March	10,857	17,117	13,682

Treasury guidance for public sector organisations are that balances in commercial accounts should be minimised. The only funds held in commercial accounts by Natural England are those relating to externally funded projects, which have such a requirement. These are held in interest bearing deposit accounts.

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

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

18 Trade payables and other payables

18.1 Amounts falling due within one year:

	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Defra payables and accruals	11,966	10,812	32,538
Other accruals	20,122	26,792	28,922
Bolton Fell Moss	0	9,000	0
Trade payables	2,256	4,202	7,944
Other taxation and social security	1,875	1,948	1,738
Walk Your Way to Health Deferred income	766	2,669	0
Big Lottery Access to Nature Deferred	681	1,521	63
Deferred income other	710	951	1,133
VAT payables	627	44	24
JNCC Shared Conservation	184	373	325
	39,187	58,312	72,687

The accruals include £2.2m (£2.6m 2009/10) in relation to employee benefits – unused annual leave at 31 March 2011 in accordance with IAS 19.

18.2 Amounts falling due after one year:

	31 March 2011 £000	31 March 2010 £000	Restated 1 April 2009 £000
Defra payables	9,899	13,739	3,700

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

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

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

There is flexibility in terms of termination providing the option to end the service or key aspects thereof. The financial penalty for termination is on a sliding scale depending on several factors, including time left on the contract. There are no beneficial entitlements at the end of contract, although 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.

Included within finance leases is the future liability to pay for these “right of use” assets to IBM. The total liability is £11,805,018 (2009/10 £16,461,098), of which the current liability (included within note 18.1 above) is £1,906,197 (2009/10 £2,722,060), the non-current liability (included within note 18.2 above) is £9,898,821 (2009/10 £13,739,038).

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

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

Natural England is committed to disclose the balances between itself and other bodies within the public sector. The amounts falling due as at 31 March were:

Intra-Government Balances	2010/2011		2009/2010	
	Accounts Payable: amounts falling due within one year £000	Accounts Payable: amounts falling due after more than one year £000	Accounts Payable: amounts falling due within one year £000	Accounts Payable: amounts falling due after more than one year £000
Balances with other central government bodies – Defra	12,742	9,899	10,812	13,739
Balances with other central government bodies – Other	4,938	0	8,252	0
Balances with local authorities	4,561	0	6,843	0
Balances with NHS Bodies	0	0	3	0
Balances with public corporations	1,068	0	1,507	0
Balances with bodies external to government	15,878	0	30,895	0
Total at 31 March	39,187	9,899	58,312	13,739

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

19 Deferred EU Revenue Grant

	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Balance brought forward at 1 April	0	0	39
Interest receivable	0	0	0
Revenue grant received in the year	0	0	0
Transferred to Natural England income	0	0	(39)
Balance at 31 March	0	0	0

20 Provisions for liabilities and charges

20.1 Pension provision

	Balance at 1 April 2009 £000	Balance at 1 April 2010 £000	Provided in the year £000	Provisions utilised in the year £000	Provisions not required written back £000	Change in share of JNCC £000	Balance at 31 March 2011 £000
Pensions by analogy	309	315	17	(6)	(131)	0	195
Pensions other	0	84	0	(30)	(54)	0	0
	309	399	17	(36)	(185)	0	195

	Not later than one year £000	Later than one year and not later than five years £000	Later than five years £000	Balance at 31 March 2011 £000
Pensions by analogy	17	68	110	195
	17	68	110	195

20.2 Other provisions

	Balance at 1 April 2009 £000	Balance at 1 April 2010 £000	Provided in the year £000	Provisions utilised in the year £000	Provisions not required written back £000	Change in share of JNCC £000	Balance at 31 March 2011 £000
Dilapidations and onerous contracts	4,622	4,592	1,960	(1,424)	(3,072)	0	2,056
Retirement & severance	2,551	1,919	18,214	(544)	0	0	19,589
Litigation	875	750	0	0	0	0	750
JNCC	25	100	0	(64)	(2)	(24)	10
	8,073	7,361	20,174	(2,032)	(3,074)	(24)	22,405

	Not later than one year £000	Later than one year and not later than five years £000	Later than five years £000	Balance at 31 March 2011 £000
Dilapidations and onerous contracts	341	1,715	0	2,056
Early Retirement & severance	18,512	1,013	64	19,589
Litigation	750	0	0	750
JNCC	2	8	0	10
	19,605	2,736	64	22,405

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

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

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

The provision for pension costs represents future liabilities under separate pension schemes described as "by analogy to the main scheme" which have been set up by Defra for the late Sir Martin Doughty, (Former Chair) and Poul Christensen (Current Chair). See note 5.5.

21 Capital commitments

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

	31 March 2011 £000	31 March 2010 £000
Property, plant and equipment	0	558
Intangible assets	0	0

22 Commitments under leases

22.1 Operating leases

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

	31 March 2011 £000	31 March 2010 £000
Land		
Not later than one year	492	501
Later than one year and not later than five years	1,818	1,841
Later than five years	3,884	4,269
	6,194	6,611
Buildings		
Not later than one year	97	83
Later than one year and not later than five years	316	221
Later than five years	589	565
	1,002	869

22.2 Defra properties occupied by Natural England

Natural England does not hold the freehold of the office buildings which it occupies, they are owned by either a government department or agency and are subject to a Memorandum of Terms of Understanding (MOTU). As these Government departments and agencies including Defra and NE are all Crown bodies and therefore part of a single legal entity it is not legally possible for one part of the Crown to take action against another part. As no legal action is possible between Crown bodies, other non-legal structures have been developed to define how Crown bodies interact with each other. In terms of property management, the alternative structures have taken the form of MOTOs & MOTUs. Memorandum of Terms of Occupancy (MOTOs) are part of the Civil Estate Occupancy Agreement for Crown Bodies (CEOA) guidance produced by the Office of Government Commerce. A MOTO establishes a set of expectations between parties around the movement of economic benefit to pay for the use of assets over a defined period of time. The payment liabilities cannot be enforced by legal means if a dispute arises, but dispute procedures are included in the CEOA. As an NDPB Natural England does not fall under the terms of the CEOA, a MOTU operates within the 'spirit' of the CEOA/MOTO, but varies slightly as Natural England's arrangements are directly with Defra. Defra take the MOTO on Natural England's behalf and the mutually agreed terms are then outlined in the MOTU. Where a dispute cannot be resolved through the normal chain structures, the final arbiters will be the relevant Ministers.

Although MOTOs & MOTUs are not a legal lease arrangement, the commercial reality under IFRIC 4 is that these arrangements are consistent with a lease and as a going concern Natural England should reflect the underlying commitment to cover rental payments and the need for on-going provision of accommodation for the duration of the terms of the MOTU arrangement. Natural England occupies 37 properties subject to MOTU arrangements, with a prescribed average term of length of 3 years.

Within the Statement of Comprehensive Net Expenditure the full cost of occupation is reflected in relation to buildings that are either owned or leased by Defra. The costs are proportionate to occupation and include rates, utilities, management overheads, facilities management and associated capital charges. For Defra leasehold properties this also includes rental costs. The estimated value of non-specialised freehold property owned by Defra but occupied by Natural England is £4,885,833 (£5,322,610 2009/10).

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

Future obligations under MOTU agreements comprise:	31 March 2011 £000	31 March 2010 £000
Buildings		
Not later than one year	2,425	3,066
Later than one year and not later than five years	5,190	6,357
Later than five years	4,117	6,026
	11,732	15,449
Land		
Not later than one year	1	2
Later than one year and not later than five years	0	2
Later than five years	0	0
	1	4

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

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

Obligations for the following periods comprise:	31 March 2011 £000	31 March 2010 £000
Rentals due within 1 year	2,041	2,676
Rentals due within 2 to 5 years	8,898	10,892
Rentals due thereafter	4,508	8,672
	15,447	22,240
Less interest element	(3,642)	(5,779)
Present value of obligations	11,805	16,461

Present value of obligations for the following periods comprise:	31 March 2011 £000	31 March 2010 £000
Rentals due within 1 year	1,906	2,499
Rentals due within 2 to 5 years	7,002	8,571
Rentals due thereafter	2,897	5,391
Present value of obligations	11,805	16,461

22.4 Finance leases

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

23 Commitments under Private Finance Initiative (PFI) contracts

23.1 Off-balance sheet

An off-balance sheet PFI contract was signed by Defra in February 2001. The scheme involved the grant of a 129 year ground lease to a PFI partner who constructed an office building for Defra, occupied in 2003, subject to a 30 year lease to 31 March 2033, to be reviewed in February 2031. The building is not an asset of the Department and will not revert to Defra at the end of the lease term. The freehold land subject to the ground lease is a Defra asset. Defra occupies 1.9% of the building and recharges other occupiers for their share of the costs. To ensure consistency across the Defra family, Natural England are disclosing this asset as a PFI commitment as Natural England occupy 22.56% of the site.

The total share of the payments to which Natural England is committed comprise;

	31 March 2011 £000	31 March 2010 £000
Rentals due within 1 year	1,055	968
Rentals due within 2 to 5 years	4,482	4,152
Rentals due thereafter	24,013	25,516
Present value of obligations	29,550	30,636

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

The total amount charged to the Statement of Comprehensive Net Expenditure in respect of off-balance sheet PFI transactions was £1,018,909 (£913,681 2009-10).

24 Other financial commitments

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

These payments combined are as follows:

	31 March 2011 £'000	31 March 2010 £'000
Not later than one year	1,439	2,068
Later than one year and not later than five years	5,599	8,246
Later than five years	11,197	18,555
Present value of obligations	18,235	28,869

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 2011 £000	31 March 2010 £000
Not later than one year	15,473	15,352
Later than one year and not later than five years	54,499	54,919
Later than five years	24,220	36,251
Present value of obligations	94,192	106,522

25 Capital reserve

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

		31 March 2011 £000	Restated 31 March 2010 £000
Balance at 31 March		44,599	19,188
Heritage assets recognised		0	17,100
IFRIC 12 asset movement		(932)	0
Restated balance at 1 April		43,667	36,288
Movement on non-current assets and assets held for sale during the year	9.1& 9.2		
Additions		2,958	4,001
Disposals		(739)	(1,314)
Revaluations & Impairments (incl IFRIC 12 adj)		2,390	15,615
Depreciation		(4,490)	(4,561)
Assets identified not previously recorded		137	69
In year Revaluation reserve movements		(4,340)	(5,499)
JNCC transfer to Revaluation reserve & change in share		(15)	0
Balance at 31 March		39,568	44,599

26 Donated Asset reserve

	31 March 2011 £000	31 March 2010 £000
Balance at 31 March	628	0
Heritage assets recognised	0	628
Restated balance at 1 April	628	628
Balance at 31 March	628	628

27 Revaluation reserve

	31 March 2011 £000	Restated 31 March 2010 £000
Balance at 31 March	44,849	2,444
Heritage assets recognised	0	36,905
Restated balance at 1 April	44,849	39,349
Net Revaluations and impairments in year	4,906	5,800
Transfer from Revenue Reserve	(565)	(300)
Balance at 31 March	49,190	44,849

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

Tangible current assets	49,055	44,716
Intangible current assets	0	0
JNCC	135	133
Balance at 31 March	49,190	44,849

28 Revenue reserve

	31 March 2011 £000	Restated 31 March 2010 £000
Balance at 1 April	(46,272)	(66,930)
Grant In Aid Received		
Core Funding – Natural England	212,939	244,642
Catchment Sensitive Farming (CSF)	3,797	10,494
Aggregates Levy Sustainability Fund (ALSF)	7,400	0
Environmental Damage Regulations (EDR)	0	110
Species recovery	0	300
Joint Nature Conservation Committee (JNCC)	2,661	2,872
Grant In Aid Received in year	226,797	258,418
Accrued Grant In Aid		
Catchment Sensitive Farming (CSF)	0	0
Aggregates Levy Sustainability Fund (ALSF)	(4,500)	4,500
Total Grant in Aid Received in year	222,297	262,918
Grant in aid can be analysed into its constituent parts are follows;		
Revenue	219,340	258,944
Capital	2,957	3,974
Total Grant In Aid credited to reserves	222,297	262,918
Other Revenue Movements		
Increase in bequests reserve	29	39
Net expenditure for the financial year	(237,087)	(231,662)
Fixed Asset related		
Non-current asset movements	5,168	(10,937)
Transfer to Revaluation Reserve	565	300
Joint Nature Conservation Committee (JNCC)		
Change in share of JNCC	(53)	0
Balance as at 31 March	(55,353)	(46,272)

29.1 Contingent liabilities disclosed under IAS 37

Natural England has the following contingent liabilities;

	31 March 2011 £000	31 March 2010 £000
Claims and Litigation	0	200

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

29.2 Contingent assets disclosed under IAS 37

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

30 Losses, special payments and gifts

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

	2010/2011		2009/2010	
	£000	Number	£000	Number
Losses/ Write offs	34	36	107	58
Special Payments	178	3	238	8
Gifts	0	2	1	6
	212	41	346	72

Two of the three special payments made in 2010/11 are in respect of property lease assignments at City House, Cambridge £130k and Heslington, York £47k properties.

Two small gifts totalling £340 made in 2010/11 were made to two charities following the auction of some items of inventory which were damaged or no longer working or in use within Natural England.

The 2009/10 loss/write off figure includes £75,000 relating to a payroll allowance error identified in the year by Defra Shared Services, and this resulted in a one-off payment to the HMRC.

31 Events after the Reporting Date

There were no events after the reporting date. These accounts were authorised for issue by the Accounting Officer who is the Chief Executive, Dr Helen Phillips on 27 June 2011.

32 Related party transactions

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

During the year Natural England, in the normal course of its business, entered into material transactions with the following organisations in which Board Members, members of the key management staff or other related parties have an interest:

Member / Senior staff	Corporate related body	Total payments made £000	Total income received £000	Amount owed by Natural England at 31/03/11 £000	Amount owed to Natural England at 31/03/11 £000	Nature of transaction
P Allen	NFU Mutual	0	30	0	0	Goods and services
L Crowe	Sheffield Hallam University	2	0	0	0	Goods and services
A Hams	Derbyshire Wildlife Trust	26	0	0	0	Goods and services
J Horwood	Centre for Environment, Fisheries & Aquaculture Sciences (CEFAS)	151	0	0	0	Goods and services
D Hulyer	Heritage Lottery Fund (HLF)	0	51	0	0	Grant income
D Hulyer	National Heritage Memorial Fund	0	196	0	0	Grant income
D Macdonald	Wildfowl & Wetlands Trust	2	0	0	0	Goods and services
C Pennell	Heritage Lottery Fund (HLF)	0	51	0	0	Grant income

C Pennell	Peak District National Park Authority	264	8	0	0	Goods and services
H Phillips	The Food and Environment Research Agency (FERA)	102	0	84	0	Goods and services
J Smyllie	Telos Partners	8	0	0	0	Goods and services
A Wilson	North Yorks Moors National Park Authority	179	8	0	0	Goods and services

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

Note b: No disclosure is made in respect of Environmental Stewardship agreements that staff or their partners have interests in. This is because the payments are made through the Rural Payments Agency and do not form part of Natural England's Accounts. Where identifiable from details obtained from staff it is estimated that payments made in respect of Environmental Stewardship agreements to either staff or their related parties totalled approximately £147,000 (£108,000 in 2009/10). Controls exist to ensure staff are unable to authorise their own Environmental Stewardship agreements.

Professor David Macdonald, a member of the Non Executive Board has an interest in a farm which has been in receipt of Environmental Stewardship Agreement payments. In 2010/11 these payments amounted to £6,984 (£752 2009/10).

Peter Allen, a member of the Non Executive Board has an interest in a farm which has been in receipt of Environmental Stewardship Agreement payments. In 2010/11 these payments amounted to £39,679 (£0 2009/10).

Board Members

This is a summary of Board Members' Interests for 10/11

Mr Poul Christensen (Chair) CBE

Date appointed: December 2006

Date appointed as Chair: 3 December 2009

Appointed until: 31 December 2012

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

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

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

He is currently a Director of Agricultural Central Trading Limited, a farmer supply cooperative; was a member of the Defra Management Board until December 2009; and is a Board member of the UK's Joint Nature Conservation Committee.

Poul received the Commander of the Order of the British Empire in the Queen's Birthday Honours List in 1991 for services to agriculture and the commercial development of the Agricultural Development Advisory Service (ADAS).

Dr Helen Phillips (Chief Executive)

Ex-officio member of the Board

Helen was appointed Chief Executive of Natural England in February 2006. She has 15 years experience in the environment sector gained at the Environment Agency and the National Rivers Authority.

At Natural England, Helen has led a major change programme, transforming the business over the last three years. The focus of her work has been on achieving greater levels of protection and improvement for places and nature by engaging, raising and aligning people's energy to establish a public body with clear priorities for the natural environment. This was matched only by her determination to increase effectiveness and value for money. England's premier wildlife sites are now in better condition than at any time since their creation. All achievements delivered alongside improved customer satisfaction, substantial efficiency savings and a significant reduction in staff numbers.

Helen has a degree in zoology and a Ph.D. in freshwater biology from University College Dublin. She is an alumnus of the Cambridge industry programme and a Fellow of the Society of Biology. She was the lead Accounting Officer for the Joint Nature Conservation Committee (JNCC) until 31 March 2011. From 1 April 2011 the Chief Executive of JNCC became the Accounting Officer.

Mr Peter Allen

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

Responsibilities include: Peak & Lake District National Park

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

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

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

Professor Lynn Crowe

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

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

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

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

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

Ms Catherine Graham-Harrison OBE

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

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

Since 1994 Catherine has worked as a Management Consultant, mainly in the not for profit sector, focusing on philanthropy; strategic planning; governance and organisational development.

Prior to that, she was a Vice President of Citibank and then Chief Executive of the Paul Hamlyn Foundation. She has held a large number of non executive positions over the past 20 years including being on the board of the Heritage Lottery Fund and a trustee of the Joseph Rowntree Foundation.

Catherine is a member of the National Trust Architecture Panel and has been appointed Chair of the National Forest with effect from 1 April 2011.

Mr Tony Hams OBE

Date appointed: 2 June 2005

Appointed until: 30 September 2011

Responsibilities include: Chair of the Audit and Risk Committee, lead member for Protected Areas, the New Forest, North York Moors and Yorkshire Dales National Parks and the East of England Region.

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

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

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

Professor David Hill

Date appointed: 2 May 2006

Appointed until: 30 September 2012

David was appointment Deputy Chair in February 2011, his responsibilities include: North East region, Northumberland National Park, Joint Nature Conservation Committee (as Board member), Natural England's Science Advisory Committee and Audit and Risk Committee. David has significant experience in consultancy, nature conservation and company business strategy. He runs an ecological consultancy company, is Chairman of The Environment Bank Ltd and was previously Chief Scientific Adviser to RPS Group plc. Over the past three years he has been actively involved in promoting environmental markets to provide new and innovative ways of mitigating for impacts on ecosystem services arising from development, industry and corporate businesses.

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

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

Dr Joe Horwood

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

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

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

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

Mr Doug Hulyer

Date appointed: 2 May 2006 Appointed until: 31 May 2011

Responsibilities include: South West region, Exmoor and Dartmoor National Parks
Doug is an independent advisor for the heritage and natural environment sector. He was previously the Director of Conservation, Programmes and Developments for the Wildfowl & Wetlands Trust.

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

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

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

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

Professor David Macdonald

Date appointed: 2 May 2006

Appointed until: 30 September 2011

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

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

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

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

During the year David ceased his position as a Board member of the Wildfowl and Wetlands Trust.

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

Mr Christopher Pennell

Date appointed: 2 May 2006

Appointed until: 30 September 2010

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

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

He is currently a Secretary of State nominated Member of the Peak District National Park Authority and Chair of its Services Committee.

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

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

Mr Andy Wilson

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

Responsibilities include: West Midlands Region.

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

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

Annex 1

The Sustainability and Environmental Report

Purpose

In 2008-09 Natural England reported for the first time on sustainability, particularly our progress towards our target to reduce our operational carbon emissions by 50% by the end of 2010. Our 2009-10 Annual Report reflected the new sustainability reporting guidance issued by HM Treasury "Sustainability Reporting in the Public Sector" which produced a framework for public sector bodies. This guidance is to be adopted by the Government's Financial Reporting Manual (FRM), with effect from 1 April 2011 [for more information see http://www.hm-treasury.gov.uk/frem_sustainability.htm]. In 2009-10 not all aspects required in the reporting framework were monitored, but we have since developed a methodology and reporting system for these missing items during 2010-11. The information to be provided is;

i) Greenhouse gas (GHG) emissions

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

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

ii) Waste minimisation and management

Data on waste is required to be collated (in line with Sustainable Operations on the Government Estate [SOG] targets, which are targets set to reduce the environmental impact of carbon emissions on the Government Estate and are monitored and reported on annually) for all offices and land owned by Natural England;

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

iii) Use of finite resources

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

Water sources are again classified by 'Scope';

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

Summary of Performance

Natural England committed itself to put in place all the actions necessary to reduce the carbon emissions of its business travel and estate by 50% by the end of 2010 and we reached that target, albeit a little late, in mid-January 2011.

Since the last Annual Report we have reviewed our travel carbon baseline for 2007 following the introduction of a new carbon accounting methodology and the publication of the revised Defra carbon emission factors. Our carbon baseline for 2007 is 6936 tCO₂, made up one-third business travel and two-thirds estate energy emissions. Our methodology and reporting systems are accredited to the Carbon Trust Standard and have been audited by PwC. We rely mainly on utility bill data to calculate and monitor our estate energy carbon emissions, but have begun to move over to real time monitoring of our offices. This not only provides better management information (including examples of inefficiencies in heating and lighting) but has also engendered a sense of ownership in improving our carbon footprint with our staff.

We have developed our own Travel Carbon Footprinting Tool that uses financial data (expense claims, credit card bills etc) to quantify carbon emissions by each mode and report our organisational, team and individual carbon footprints on a monthly basis. We have utilised this data to establish travel carbon budgets at the team level that are aligned to travel financial budgets in both 2009-10 and 2010-11. Again, this gives our staff a sense of ownership of their individual and team carbon footprints. We have continued to support in making sustainable travel decisions through a variety of tools including:

- a Green Travel Policy to establish the expectations of the organisation in how staff travel
- a Green Travel Checklist and Carbon Calculator to support decision making and help compare the carbon footprint of different modes of travel
- a Meeting Planning Tool that identifies an optimum location for meetings across our estate
- a set of Meeting Protocols that define the principles for more sustainable meetings
- a fleet of Folding Bikes available for loan from our offices and a staff Cycle Purchase Scheme

- an on-line Rail Ticket Booking System with Fast Ticket machines located in our main offices
- Tele & Video-Conferencing facilities available to all
- converting our nature reserve vehicles to run on Used Cooking Oil biodiesel.

The largest proportion of our 2007 footprint and the biggest opportunity for carbon saving has been through improving the energy performance of our estate. Through our WINE2010 programme (Working in Natural England 2010) we have closed and moved from our most inefficient offices to more sustainable buildings or locations and also encouraged our staff to realise the work-life balance benefits through a range of flexible working options to reduce commuting to a Natural England office on a daily basis. We have reduced our office estate from the 68 buildings occupied by our three founding bodies to 30 as at the end of January 2011. We have also reduced our space requirement from 10m² per person to 7.5m² per desk space and a principle of 8 desks for every 10 staff based on a maximum 80% occupancy rate. Those buildings that remain have undergone a rigorous energy audit and efficiency measures have been put in place to further reduce carbon emissions.

We have undertaken a pilot study to quantify the emissions of working at home which has ensured that we are not passing on the carbon burden to our staff. We are supporting staff in improving the energy efficiency of their homes by providing advice on insulation, behavioural change and grants. Each member of staff is able to borrow an energy meter to monitor the energy performance of their home and identify potential savings.

In 2008-09 Natural England adopted a new Sustainable Procurement Policy that integrated social and environmental considerations into its procurement practices and also implemented a Sustainable Timber Policy and a Sustainable Food and Catering Policy. In December 2009 the organisation met its commitment to achieve Level 3 of the Sustainable Procurement Flexible Framework and in February 2011 we achieved Level 4, evidenced by a review undertaken by Defra and the Environment Agency. This reflects the progress we have made in managing sustainably risks when procuring goods and services and our ongoing work with our key suppliers to encourage them to manage their own emissions from business operations and their supply chain impacts.

Our Performance summary for 1 January 2010 to 31 December 2010:

Area	Actual Performance	Target Performance
Carbon dioxide emissions	4114 tonnes	4537 tonnes
Carbon Reduction Commitment (CRC) related expenditure	£0	N/A ¹
Total energy consumption	8.1 million kWh	9.0 million kWh
Buildings energy consumption	8.1 million kWh	9.0 million kWh
Total energy expenditure	£405,363	£516,624
Total waste	64.9 tonnes	N/A ²
Residual office waste	22.9 tonnes	N/A ²
Total waste expenditure	£0 ³	N/A ²
Water consumption	13,606 m ³	N/A ²
Water Expenditure	£37,407	£50,553

- 1 Natural England does not meet thresholds required to participate in the CRC, although we do occupy buildings where our landlords do.
- 2 No targets set as we are still developing the baseline and targets.
- 3 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.

Monitoring, Reporting & Governance

Our sustainability performance is monitored and managed through our Corporate Performance Management System and the balanced scorecard approach. We report progress towards our target to a director level strategy group on a weekly basis and report to the Executive Board through a monthly Carbon Report. Our Executive Director, Corporate Services acted as executive sponsor and reported on a monthly basis to the Executive Board on progress towards our target. Our Board Sustainability Champion reported to the Natural England Board on a quarterly basis. A Sustainability Steering Group with representatives from teams tasked with delivery of sustainability targets from across the organisation met on a 6-weekly basis to manage the implementation of the action plan.

Greenhouse Gas Emissions		2010-11 ¹	2009-10	2008-09
Non-Financial Indicators (tCO ₂ e)	Total Gross Emissions for Scopes 1 & 2	3,076	3,696	3,964
	Total Net Emissions for Scopes 1 & 2	3,076	3,559	3,815
	Gross emissions attributable to Scope 3 official business travel	1038 ²	1,231	1,548
Related Energy Consumption (KWh)	Electricity; Non Renewable	3,544,222		
	Electricity: Renewable	0 ³		
	Gas	4,458,377		
	LPG	0		
	Other	105,844		
Financial Indicators (£k)	Expenditure on Energy	£405K	£525K	£801K
	CRC License Expenditure	0 ⁴		
	CRC Income from Recycling payments	0 ⁴		
	Expenditure on accredited offsets (eg GCOF)	0	0	
	Expenditure on official business travel	£2.46M	£3.37M	£4.45M

¹ Estates energy data covers the calendar year 2010. Travel data covers the financial year 2010-11.

² Our methodology for calculating the carbon emissions changed slightly during 2010.

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

⁴ Natural England does not meet the thresholds required to participate in the CRC.

PERFORMANCE COMMENTARY (INCL TARGETS)

Natural England has achieved its target to reduce the carbon emissions of its estate and business travel by 50% by mid-January 2011. A new target is currently being considered for the period beyond 2012 and this will be disclosed in the 2012-13 business plan.

CONTROLLABLE IMPACTS COMMENTARY

The main direct impacts for us in terms of carbon emissions are from our operational electricity, gas and oil consumption and road, air and public transport mileage. Strategies are in place to reduce these direct impacts through efficiency programmes. Our consumption of all these resource is however vulnerable to extreme weather and the operational impact this has on us. Our figure for gross emissions attributable to official business travel include vehicle mileage from our pool vehicle fleet, lease vehicles and hire cars as well as 'grey fleet' casual business use. Public transport emissions from train, tube and bus journeys are included in our carbon footprint alongside the emissions associated with air travel and taxi use.

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		2010-11	2009-10	2008-09	
Non-Financial Indicators (tCO₂e)	Total waste	64.9	81.4		
	Hazardous waste	0.27	Not monitored	Not monitored	
	Non hazardous	Landfill	22.9	25.7	Not monitored
		Reused/ Recycled	35.5	45.5	Not monitored
		Incinerated	6.2	10.2	Not monitored
Financial Indicators (£k)	Total disposal cost	Not monitored	Not monitored	Not monitored	
	Hazardous waste – disposal costs	Not Monitored	Not monitored	Not monitored ¹	
	Non hazardous – disposal cost	Landfill	Not Monitored	Not monitored	Not monitored ¹
		Reused/ Recycled	Not Monitored	Not monitored	Not monitored ¹
		Incinerated	Not Monitored	Not monitored	Not monitored ¹

¹ Waste management data is supplied via our landlord and their waste management provider. It is not possible to disaggregate financial costs of waste management from that provided for other tenants.

PERFORMANCE COMMENTARY (INCL TARGETS)

All figures are in tonnes and represent 12 offices where data is available and is calculated on % occupancy basis. Information is not available where landlords are responsible for waste and recycling activities. The data for 2010-11 figures is based on 6 months data April-September 2010, and this has then been doubled to represent the full 12 months of the year.

CONTROLLABLE IMPACTS COMMENTARY

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

OVERVIEW OF INFLUENCED IMPACTS

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

Finite Resource consumption - Water		2010-11	2009-10	2008-09
Non-Financial Indicators (tCO ₂ e)	Water consumption (M ³)			Not monitored
	Supplied	13,606	13,514	
	Abstracted	0	0	
Financial Indicators (£k)	Water supply costs	37K	£77.7K	£86.4K

PERFORMANCE COMMENTARY (INCL TARGETS)

This is the first year we have begun to monitor our water consumption across our estate.

CONTROLLABLE IMPACTS COMMENTARY

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

OVERVIEW OF INDIRECT IMPACTS

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

Finite Resource consumption - Energy			2010-11 ¹	2009-10	2008-09
Non-Financial Indicators (tCO ₂ e)	Energy consumption (kWh)	Electricity: Non-Renewable	3,544,222		
		Electricity: Renewable	0 ²		
		Gas	4,458,377		
		LPG	0		
		Other	105,844		
Financial Indicators (£k)	Total Energy Expenditure	£405K	£525K	£801k	

1 Estates energy data only covers the calendar year 2010.

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

PERFORMANCE COMMENTARY (INCL TARGETS)

Electricity and gas cost data based on estimated prices of 7.04p/kWh and 1.48p/kWh respectively. Electricity and gas figures based on data January-December 2010.

CONTROLLABLE IMPACTS COMMENTARY

Our main areas for energy consumption are heating for offices. A programme for office insulation and improving boiler controls was instigated during 2009/10 and delivered through our facilities management provider Interserve. We will continue to review the efficiency of our estate and, where appropriate, seek to improve efficiency through the installation of more energy efficient technology, supporting more energy efficient staff behaviours and either downsizing or relocating inefficient offices.

OVERVIEW OF INFLUENCED IMPACTS

We will work with suppliers to support the implementation of energy efficiency programmes within their own businesses. We will continue to work with other organisations in sharing our experience of reducing our own energy consumption.

Glossary

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

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

Environmental Stewardship has three elements:

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

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

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

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

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

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

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

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

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

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

Countdown 2010 – a scheme designed to halt Biodiversity loss by 2010

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

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

Entry Level Stewardship (ELS)
See Agri-environment schemes

Environmental Stewardship
See Agri-environment schemes

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

Founding Bodies Natural England was formed in 2006 through the merger of three founding bodies: English Nature, Countryside Agency (the 'Landscape, Access and Recreation' division) and the Rural Development Service (environmental land management functions).

Higher Level Stewardship (HLS)
See Agri-environment schemes

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

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

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

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

Rural Development Programme for England (RDPE) A 7 year programme that determines how EU cofinanced rural development funding will be spent in England.

Sites of Special Scientific Interest (SSSI) are areas of land designated under the Wildlife and Countryside Act 1981. These sites are of interest by reason of their flora, fauna, or geological or physiographic features, and it is considered to be in the national interest to conserve them.

SSSI condition is assessed as:

- Favourable – all the notified features on the site are meeting their conservation objectives.
- Unfavourable recovering – some or all of the notified features are not meeting their objectives but all management measures are in place to bring about full recovery.

It may take several years before the site can be assessed as 'favourable'.

- Unfavourable declining or unfavourable no change – some or all features are not meeting their conservation objectives.

Sites classed as both Favourable and Unfavourable Recovering are classed as meeting the target to have 95% of SSSIs in favourable condition by 2010.

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

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

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

List of acronyms used in this Annual Report

Acronym	Full description of acronym
AONB	Area of Outstanding Natural Beauty
BAP	Biodiversity Action Plan
CAP	Common Agricultural Policy
CCW	Countryside Council for Wales
CFE	Campaign for the Farmed Environment
CFP	Common Fisheries Policy
CLA	Country Land and Business Association
DECC	Department of Energy and Climate Change
Defra	Department for Environment, Food and Rural Affairs
EA	Environment Agency
EMS	European Marine Sites
EU	European Union
FC	Forestry Commission
FWAG	The Farming and Wildlife Advisory Group
GWCT	Game and Wildlife Conservation Trust
HLS	Higher Level Stewardship
ICT	Information Communication Technology
IEEM	The Institute of Ecology and Environmental Management
JNCC	Joint Nature Conservation Committee
LiaNE	Landscape – an integrated approach for Natural England
MCZ	Marine Conservation Zone
MENE	Monitor of Engagement with the Natural Environment
MESME	Making Environmental Stewardship More Effective
MMO	Marine Management Organisation
MPA	Marine Protected Areas
MSFD	Marine Strategy Framework Directive
NCAs	National Character Areas
NERC Act 2006	Natural Environment & Rural Communities Act, 2006
NEWP	The Natural Environment White Paper
NFU	National Farmers' Union
NNR	National Nature Reserve
PISCO	The Partnership for Interdisciplinary Studies of Coastal Oceans
PSA	Public Service Agreement
RDPE	Rural Development Programme for England
RPA	Rural Payments Agency

RSPB	Royal Society for the Protection of Birds
SACs	Special Areas of Conservation
SDA	Severely Disadvantaged Area
SPAs	Special Protection Areas
SSSI	Site of Special Scientific Interest
UELS	Uplands Entry Level Scheme
UK	United Kingdom
VIVA	Volunteer Investment Audit
WfH	Walking for Health
WT	Wildlife Trust



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