

Natural England



Annual Report and Accounts

1 April 2006 – 31 March 2007

HC 745

www.naturalengland.org.uk





Peter Graal/Bankside Open Spaces Trust

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

Natural England

Annual Report and Accounts 2006/2007

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

Ordered by the House of Commons to be printed 8 October 2007

© Crown Copyright 2007

The text in this document (excluding any Royal Arms and departmental logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Any queries relating to the copyright in this document should be addressed to :

The Licensing Division, HMSO, St Clements House, 2-16 Colegate, Norwich, NR3 1BQ.
Fax: 01603 723000 or e-mail: licensing@cabinet-office.x.gsi.gov.uk.

Contents

Page

Chair's and Chief Executive's Foreword

4



Our achievements and how we have delivered against our Strategic Direction 2006–2007

A healthy natural environment

6

Enjoyment of the natural environment

14



Sustainable use of the natural environment

22

A secure environmental future

30

A distinctive public body

38



Glossary

44

Financial summary of accounts year ending 31 March 2007



Financial summary

47

Companies Act Disclosures

49

Statement of Board's and Chief Executive's responsibilities

52

Statement on Internal Control

53

The Certificate and Report of the Comptroller and Auditor General

61

Statement 1 Operating cost statement

63

2 Statement of recognised gains and losses

63

3 Balance sheet

64

4 Cash flow statement

65

Notes to financial statements

66

Founding body results included in year end figures

88

Remuneration report

91

Board Members

99

More information on our work, including statistics on subjects in this report can be found on our website www.naturalengland.org.uk

Welcome to our first annual report and accounts



The first six months of the year were focused on creating a new organisation. In June 2006, after the appointment of our new Board, we published our Strategic Direction 2006–2009. This clearly defines the environmental outcomes we hope to achieve over the next three years. We then successfully transferred the responsibilities, assets and staff from the Founding Bodies to Natural England, which culminated in Natural England's vesting on 1 October 2006.

Since vesting, we have faced some big challenges. In creating Natural England, we wanted to provide an integrated service to our customers. We have designed the organisation with this express purpose in mind, and have progressively aligned our budget and staff resources with our priorities as set out in the Strategic Direction. This process of integration and alignment will continue over the coming year.



Our early focus was on maintaining the delivery of our ongoing programmes, with agri-environment schemes particularly high on our agenda. Almost half the farmland in England – some 4.13 million hectares – is now covered by agri-environment agreements, delivering a huge range of environmental benefits as a result. With Defra, we have secured £2.9 billion for Environmental Stewardship over the next seven years, and we are now focused on ensuring that this scheme delivers the maximum environmental benefits and public value for money.

We have established ourselves as the Government's independent advisor on the natural environment. We delivered advice to the Government on how to improve access to the coast, contributed to the debate on the reform of the Common Agricultural Policy and promoted the establishment of marine protected areas, arguing successfully for their inclusion in the Government's Marine White Paper.

We have also focused on the need to tackle emerging threats to the natural environment. We want to ensure in particular that the natural environment can adapt to climate change and have, as an example, actively championed the case for a climate change adaptation strategy to be included as a key element in the Government's Climate Change Bill. We also want to promote the contribution that land management can make to reducing greenhouse gas pollution.

We have also begun to extend our reach to new areas, such as the connection between health and the environment. We are promoting the need to connect people to nature, increasing the awareness amongst health professionals of the health benefits that arise from the use of the natural environment, and improving access to the environment for people in the most deprived communities.

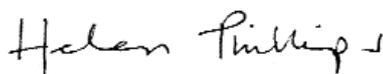
Over the coming year, we look forward to delivering new outcomes, developing our policies and building the partnership and organisational culture we need to deliver our Strategic Direction. We will also be building our evidence base and aim to establish Natural England at the forefront of new thinking on the natural environment.

We have made a strong start, demonstrated our capability and direction in critical areas, and built a robust platform from which to move forward. We are focusing our passion and purpose on tackling the challenges for the natural environment that await us in 2007/2008.

We thank the Board, the Executive and our staff for embracing this new agenda and taking up the challenge, and our partner organisations for their support and advice during this initial formative stage.



Sir Martin Doughty
Chair Natural England



Dr Helen Phillips
Chief Executive Natural England



Paul Glendell/Natural England

A healthy natural environment

England's natural environment will be
conserved and enhanced



Alkborough Flats, North Lincolnshire. Faith Spencer/Environment Agency

A HEALTHY NATURAL ENVIRONMENT

Case study **Alkborough Flats in the Humber Estuary**

The Humber contains some of the UK's busiest ports and is also an internationally important site for its wetland habitats and the wildlife they support, particularly birds.

Alkborough Flats, in the Humber Estuary, lies at the meeting point of the Rivers Trent and Ouse in North Lincolnshire. Sea level rise has been a serious problem here and the wildlife and wetlands, together with the homes and businesses of 300,000 people, are at risk from flooding.

To help control flooding Natural England, working in partnership with the Environment Agency, North Lincolnshire Council and Associated British Ports, developed a scheme to breach the flood defences at Alkborough, allowing the tide to come over what was previously dry land. These new 'intertidal' areas are a vital flood management tool. The 440 hectare site was opened in September 2006, and will provide about 170 hectares of new intertidal habitat as well as fresh water and coastal grassland.

The partnership is also providing new access opportunities for locals and tourists alike to visit and enjoy the area and its wildlife.

Funding was initially awarded via Defra, the Capital Modernisation Fund, Yorkshire Forward, the Heritage Lottery Fund and the European INTERREG programme with other partner organisations making contributions.

The scheme won the Innovation category of the national 2007 Waterways Renaissance Awards.



Outcome: **England's natural environment will be conserved and enhanced**

Why we are doing it

- For the intrinsic value of England's biodiversity.
- Because landscapes and wildlife enrich people's lives.
- For the services that healthy, functioning ecosystems provide.

Highlights in our first year

- Brought 4.13 million hectares into the Environmental Stewardship scheme, an increase of more than 2 million hectares during the year.
- Secured an additional 33,500 ha (2.3%) of Sites of Special Scientific Interest (SSSIs) in favourable or recovering condition, bringing the total to 75.4%.
- Declared five new National Nature Reserves (NNRs) and extended 17 others, increasing the area covered by 3,205 hectares, including The National Trust managed Dovedale NNR in the Peak District.
- Played a leading role in the aim of reversing the decline of farmland birds, such as the skylark.
- Supported recovery initiatives for 130 Biodiversity Action Plan (BAP) priority species.
- Initiated programmes to create or restore 32,400 ha of BAP priority habitat.



Walkers along the South West Coast.
Ian Dalgleish/Natural England

There are now 4.13 million hectares under Environmental Stewardship agreements, comprising nearly half of all the farmland in England. That means:

- The management of 100,000 km of hedgerows and 12,000 km of dry-stone walls to maintain the unique character of the English countryside and provide vital habitats for wildlife.
- 3,000 farmers planting wild birdseed mixtures and 6,500 farmers maintaining buffer strips, more than 13,000 skylark plots and 450 beetle banks.
- Improved access to the countryside for people to explore and enjoy England's farmed environment – 323 km of permissive footpaths and 264 km of bridleway.

We are joining up the delivery of landscape, access and wildlife objectives together with resource protection in nine pilots of the Catchment Sensitive Farming project. These include the Derwent in North Yorkshire, the Eye in Leicestershire, the Pevensey in Sussex and the Frome in Dorset.

Natural England is working to meet the Government's target of having 95% of SSSI land in favourable or recovering condition by 2010. We have achieved this for an additional 33,500 ha of SSSI land - including more than 4,000 ha in North York Moors - bringing the amount of SSSI land in favourable or recovering condition to 75.4%. This figure is just short of the 2006/2007 interim milestone of 78% but we are working with our delivery partners to get back on track for 2007/2008.

Natural England made a significant contribution to the Government target to halt biodiversity loss by 2010, through supporting the implementation of the England Biodiversity Strategy and the delivery of BAP targets. New Environmental Stewardship agreements this year will create or restore nearly 28,000 ha of priority BAP habitats. Additional projects begun this year (including those with local biodiversity partnerships and projects supported by our Aggregates Levy Sustainability Fund and Countdown 2010 Biodiversity Action Fund) will restore or enhance a further 3,721 ha of priority habitat and create an additional 673 ha. This includes over 1,700 ha of lowland heathland.

Our Species Recovery Programme has funded 88 projects to support the recovery of more than 130 BAP priority species, mostly working in partnership with national conservation organisations and local biodiversity partnerships. Successes this year include re-introduced pool frogs breeding in England for the first time since the 1990s and increases in the population sizes of ladybird spiders and large blue butterflies. The large blue work, carried out in partnership with Butterfly Conservation, involves habitat restoration at the landscape scale, and in 2006 an estimated 10,000 butterflies flew; more than at any time in the last 60 years. We also worked closely with Defra on the England Biodiversity Strategy 'refresh' launched in November. We led a review of the UK BAP targets and have been closely involved in the review of UK priority species and habitats.

Work on the marine environment was advanced significantly when we secured £1.68m of additional funding to initiate a survey of potential marine sites for designation as Special Areas of Conservation (SACs). The survey will include our seas off Norfolk, Devon and Dorset and will complete the SAC network in English waters. We have continued to press for the proposed Marine Bill to deliver effective protection of the marine environment. With our partners, we have succeeded in gaining commitment from the Government to establish Marine Conservation Zones.

To ensure England's finest landscapes and wildlife are protected and improved for the benefit of present and future generations, Natural England established funding relationships with all 36 Areas of Outstanding Natural Beauty (AONB) bodies in England. We also developed a partnership with the new English National Park Authority Association. Natural England supported the Southwest Protected Landscapes Forum, bringing together all AONBs and National Park bodies in the region.



Skylark
Nick Watts/Natural England

Progress on our three year journey

Objective

To conserve and enhance England's natural environment including the landscape, biodiversity, geology and soils, natural resources, cultural heritage and other features of the built and natural environment.

Our targets 2006-2009

Develop and deliver an integrated customer service delivery model for land managers to provide streamlined access to the full range of specialist environmental management skills and programmes.

Secure improvements in the condition of the natural environment and the public's access to it: By 2007, 60% of England's Total Agricultural Area should be subject to Environmental Stewardship agreements.

Restore and recreate an additional 3,750 ha of priority agricultural habitats and 175 ha of priority wetland habitats in line with the Biodiversity Action Plan.

Progress in first year

We have established customer facing 'land management' teams in all regions, integrating the skills, knowledge and capability of Natural England's three founding bodies. We aim to provide a holistic approach to customer requirements and a single point of contact for customers. We will build on this in 2007/2008.

Entry Level Stewardship agreements now cover over 4 million ha (43% coverage) and are on track to meet the 60% target. Organic Entry Level Stewardship agreements cover 217,000 ha. Uptake is steady and increasing. Higher Level Stewardship agreements cover 98,000 ha.

Outcomes include:

- 100,000 kilometres of hedgerow under agreement;
- 12,000 kilometres of dry-stone wall under agreement;
- 3,000 farmers planting wild birdseed mixtures;
- 6,500 farmers are maintaining six metre buffer strips;
- over 13,000 skylark plots;
- 450 beetle banks;
- 2,000 farmers planting nectar and pollen mixtures; and
- 323 kilometres of permissive footpath plus 264 kilometres of bridleway.

This target was substantially exceeded. New Environmental Stewardship agreements will restore or create 25,117 ha of priority agricultural habitats, including 961 ha of species-rich grassland; and 2,867 ha of priority wetland habitats including 984 ha of coastal and floodplain grazing marsh.

Our targets 2006–2009

90% of regional and local biodiversity partnerships to be assessed as meeting agreed delivery standards.

Secure a stronger suite of environmental outcomes through the new Rural Development Programme for England (RDPE).

Develop integrated landscape, access and biodiversity conservation targets and implementation plans for nine of the Catchment Sensitive Farming projects.

To have 78% of SSSI land (by area) in favourable condition by March 2007.

Reverse the long term decline in the number of farmland birds by 2020.

Progress in first year

This target was exceeded. All regional biodiversity partnerships met the standard, as did 46 out of 50 local partnerships. By the end of the year, we had also signed agreements with the remaining four local partnerships. Natural England now financially supports regional and local biodiversity partnership work across all English regions. Natural England regards the evidence base as a vital resource for local and regional decision-taking on biodiversity.

We are working with Defra on the review of Environmental Stewardship, where we have agreement in principle to pursue stronger environmental outcomes and ensure public value for money from these schemes. This will enable us to develop a specific targeting approach to maximise gains for the natural environment and achieve greater consistency. We will adopt a landscape-scale approach to managing land, necessary in a changing climate.

The Natural England Multiple Objectives (Nemo) project developed an approach for integrating landscape, access and biodiversity targets with natural resource protection targets in nine catchment areas, including the Derwent in North Yorkshire, the Eye in Leicestershire, the Pevensy in Sussex and the Frome in Dorset. To enable the consideration of the impacts of climate change to be drawn into this approach, pilot projects to consider the impacts of climate change on biodiversity and landscapes are also being developed within four of the nine catchments.

Over the year, the amount of SSSI land in favourable or recovering condition improved from 72.1% to 75.4%, but a little short of the interim March 2007 milestone. We made significant progress in developing strategic partnerships to help deliver recovery on SSSIs with delivery partners and major landowners. For example, at Braunton Burrows in Devon we secured a 3,120 ha management agreement after ten years of negotiation. On the Somerset Levels we established a partnership with the Environment Agency and Internal Drainage Boards to direct future investment to raise water levels.

The trend in the decline of farmland birds has halted – largely driven by continuing increases in species such as wood pigeon and jackdaw. However, we still need to take action to support the numbers of many of our historically declining farmland specialist species such as yellowhammer, turtle dove and lapwing. We will continue to work with the RSPB and other partners to address this.

Objective

To conserve, recover and enhance the marine environment.

Our targets 2006–2009

Build on the success of the *State of the marine environment* report by publishing a *State of the natural environment* report in 2007.

Establish a coherent network of Marine Protected Areas by 2012.

Progress in first year

The first Natural England *State of the natural environment* report will provide comprehensive baseline information on the state of our landscapes, biodiversity (habitats and species including marine and coastal ecosystems), geodiversity and access. The published report will contain links to further web-accessed information. This evidence base will underlie the future development of strategy and policy across our four outcomes.

Natural England has been a strong supporter of the Government in the development of the Marine Bill and subsequent White Paper. We have been seeking appropriate powers for Natural England, specifically with respect to the identification and management of Marine Conservation Zones.

We have established a major project to achieve a network of Marine Protected Areas. We have started a two-year project to survey seven areas (within the southern North Sea, the South West Coast and Morecambe Bay) to identify further sandbank and reef habitats and complete the network of Special Areas of Conservation in our seas.



Peter Wakely/Natural England

Sherwood Forest National Nature Reserve (NNR)

Working with the Thoresby Estate and Defence Training Estates, Natural England doubled the size of the Sherwood Forest NNR to 423 hectares. The NNR now includes a mosaic more typical of the historic Sherwood Forest, encompassing wood pasture and parkland, heathland, grassland and woodland. The existing reserve already welcomes around 500,000 visitors each year. A special event held at the NNR to celebrate the opening was attended by local parish councillors and voluntary groups. We will now work with our partners, the Forestry Commission and Nottinghamshire County Council, to increase the public's enjoyment and appreciation of the NNR, and enhance facilities to encourage greater community involvement.



Micky Andrews

Habitat management for the Fisher's estuarine moth

Fisher's estuarine moth is a rare species with its main stronghold on the north Essex coast. Its caterpillars feed on one particular plant, hog's fennel; rising sea levels are threatening the habitat in which this plant grows, and therefore, the moth's existence. Natural England is working to secure the future of this moth, by establishing new, inter-connected sites for the moth to live and feed away from the dangers of flooding. We are doing this by supporting farmers and landowners in the creation and management of appropriate habitat through Environmental Stewardship. This work is being done in partnership with the Centre for Environment and Rural Affairs, Defra, the Environment Agency, Tendring District Council, Butterfly Conservation and the Essex Wildlife Trust.



Stone-curlew
Geoff Higginbotham/Natural England

Species recovery – rare breeding birds in the South West

We have been working closely with land managers and the RSPB in the South West to increase the numbers of three rare birds: the stone-curlew, chough and the cirl bunting. The stone-curlew continues to increase in numbers in Wessex, and in 2006 over 100 pairs bred for the first time since recording began in the 1980s. There were also three breeding pairs of chough in Cornwall, the highest number since they returned in 2001. The cirl bunting currently only breeds in Devon. To help its recovery 72 birds were released into the wild in 2006 into its former range in Cornwall. This exciting re-introduction project was funded by Natural England through our Countdown 2010 Biodiversity Action Fund. The good survival of the released birds over winter has raised hopes for breeding in 2007.



Paul Glendell/Natural England

Enjoyment of the natural environment

More people enjoying, understanding and acting to
improve the natural environment, more often



A family day out, Barrow In Furness. Julia Bayne/Natural England

ENJOYMENT OF THE NATURAL ENVIRONMENT

Case study Coastal access

In February 2007, we delivered our advice to Government on how it could deliver its manifesto commitment to improve access to England's coast. Ministers proposed that action to improve coastal access should be an early 'flagship' initiative for Natural England, helping to demonstrate how access, landscape and wildlife benefits can be integrated in a positive and practical way.

Walking the coastline is very popular. However, our research shows that the lack of comprehensive and secure rights along the coast makes the current access situation variable and confusing.

We recommended new legislation to give Natural England – in consultation with local communities, landowners and businesses – flexible powers to create new access where there is none, deal with sections that are unpleasant or unsafe, and provide more 'spreading room' along the way.

The result would be well managed, quality access around the whole coastline – so far as practicable – with clear visual signals to help people follow the best route without having to rely on maps.

Our proposals take account of the effects of climate change – new access should 'roll back' with erosion

in areas of coastal change. Over time, this should be complemented by working with farmers to improve coastal habitats and landscapes, for example by reverting arable land to grassland and increasing the extent of coastal heath and grazing marsh. Our proposals also provide for vulnerable coastal species such as nesting terns, roosting waders and concentrations of feeding waders and wildfowl to be protected from damaging disturbance.

In developing our advice, we have worked closely with organisations such as the National Trust, Countryside Council for Wales, RSPB, CLA, NFU, Environment Agency, Ramblers Association, British Mountaineering Council and Open Spaces Society.



Outcome: **More people enjoying, understanding and acting to improve the natural environment more often**

Why
we are doing it

- Because interaction with the natural environment improves wellbeing.
- So that the natural environment is properly and fully valued.
- To encourage people to actively care for the natural environment.

Highlights in our first year

- Delivered advice to Government on the best way of improving access to the coast in line with the timetable set by Defra.
- Expanded our Walk the way to Health Initiative to 450 health walk groups across the country and established new partnerships with Primary Care Trusts and local authorities to enhance the evidence base on the health benefits of the natural environment.
- Developed a programme to improve access to the natural environment for our most deprived communities.
- We have continued to implement interim service standards for visitors to Natural England's National Nature Reserves (NNRs). Public access and service improvements have been delivered at eight NNRs by working with businesses.



Identifying an orchid at Elliot Nature Reserve, near Stroud.
Nick Turner/Natural England

Interest in the natural environment is growing. The challenge for Natural England is to build on this interest and translate it into greater levels of support, resources and action for the natural environment. Biodiversity is experienced at its fullest when connected to people and places. To help us deliver our objective

to improve places for people to enjoy the natural environment, Natural England was asked by the Government to provide advice on how to improve access to the coast. Working closely with key organisations from the farming, recreation and nature conservation sectors, our proposed solution aims to provide the national momentum needed to deliver continuous well-managed access along the English coastline, together with the flexibility needed to tailor practical solutions to local circumstances. Our advice addressed the protection of vulnerable coastal species and habitats from disturbance and how farmers can help enhance the coastal landscape along the proposed access corridor. Our advice was welcomed by the Secretary of State for Environment, Food and Rural Affairs and is now subject to a public consultation being led by Defra.

Access to the natural environment provides a range of benefits. Health and wellbeing are two of the most important. We have launched a campaign to increase the awareness of health professionals of the benefits of the natural environment. We are working with the British Heart Foundation to expand the Walking the way to Health Initiative, delivering an exponential increase in the number of people being connected to the natural environment. This is now the largest programme of its kind in Europe, with 450 health walk groups, involving 200,000 people per year together with 29,000 trained volunteers. In line with our aim to develop a leadership role on health and the natural environment, we have also established important new partnerships with the Department of Health and the National Institute of Clinical Excellence.

However, access to the natural environment is not equal across the country. Natural England is working to increase the number, diversity and frequency of people enjoying the natural environment. We have developed a programme to deliver targeted funding, in particular for those for whom the opportunity to enjoy the outdoors is currently limited. To increase people's understanding of, and ability to take action for, the natural environment, we have begun a feasibility exercise to provide a business case for a dynamic web-based information product. This will promote the full spectrum of opportunities and activities available for people to experience, learn about and enjoy the urban and rural natural environment. We have also initiated a pilot project in London to explore how to deliver accessible green space close to where people live, and are developing a research programme to provide guidance on sustainable transport for people seeking to access the natural environment.

In line with our commitment to demonstrate best practice, we have embarked on public access and service improvements on our National Nature Reserves with the aim of making our own estate as accessible and informative as possible.

Natural England is leading work to develop a range of approaches to delivering statutory access, working closely with Highway Authorities and Local Access Forums. We completed the pilot (in Cheshire) for the Discovering Lost Ways project. This aims to identify public rights of way that are not currently recorded on the definitive map. Based on the findings of this pilot we will be working with our partners to review the most cost-effective approach to improving the rights of way network.



Walking through Hamsterley Forest.
Forestry Commission England

Progress on our three year journey

Objective

Objective: Increase the number, diversity and frequency of people enjoying the natural environment.

Our targets 2006–2009

Develop a programme for the most deprived communities in each region to increase opportunities to experience the natural environment for groups of people who currently have low access.

Establish baseline data on access to the natural environment.

Expand the Walk your way to Health Initiative.

Progress in first year

We secured initial approval for a BIG Lottery Fund bid for £25m to increase public engagement with the natural environment over the next six years. We are currently undertaking a due diligence exercise in the expectation that the programme will begin in September 2007.

New surveys to establish baseline data on access to the natural environment are being prepared for 2008. These will use refinements to the methodology identified as a result of the 2005 English Leisure Visits Survey. The 2005 survey, published in December 2006, was a collaboration between Natural England, Defra, the Environment Agency, the Forestry Commission and the English National Park Authorities. It provided a 'broad brush' profile of visitors to the English countryside, urban and coastal areas. It also indicated how visitors used 'open access' areas and gave details of visitors' activities and spend.

250 Primary Care Trusts have received National Step-O-Meter Programme training. New health walk groups continue to be set up across the country and the number of volunteer walk leaders continues to grow. We are working with the Department of Health, the National Institute of Clinical Excellence and other providers of activity in the natural environment to create a universally acceptable tool to evaluate activity out of doors. The new Green Exercise initiative is attracting wide interest and we are developing a series of demonstration projects.

Objective

Increase everyone's understanding of and ability to take action for the natural environment.

Our targets 2006-2009

Seek joint-venture partners to develop a dynamic web-based information product, promoting the full spectrum of opportunities and activities available for people to experience and enjoy the urban and rural natural environment.

Establish a national partnership to promote and develop a network of sites for the study and understanding of the natural environment.

Increase by 5% the number and diversity of people volunteering their time to help conserve and enhance the natural environment.

Develop a plan to reduce the transport impact of nature-based tourism.

Develop a new level of service framework for visitors to individual NNRs that will increase the level of protection and make visits easier for a wider cross-section of the public.

Progress in first year

We completed a scoping exercise that has led to a full feasibility phase to explore the viability of the proposal, identify potential customers and how to attract them, how to gather content, and possible technical solutions. The feasibility report is scheduled to be completed in October 2007 and will guide the next phase of the project.

We are working with our partners to develop regional action plans for improving the natural environment within school grounds for education and health benefits. We provided educational support for visits to Saltfleetby-Theddlethorpe Dunes NNR and Derbyshire Dales NNR. Ingleborough NNR in the Yorkshire Dales National Park has been used as a partnership focus for a range of educational and cultural activities. Our innovative work with primary schools at Moor House-Upper Teesdale NNR as part of 'the Big Draw' received an award for two years in succession.

Natural England currently has over 2,000 volunteers who undertake guided walks, visitor interpretation, habitat management, surveying and maintaining work on NNRs, or are licensed to provide advice to the public on bats. We have prepared an initial action plan for implementation in 2007/2008 and beyond to establish baseline volunteering data and develop a targeting strategy aimed at under-represented social groups. This plan will be implemented regionally.

We have taken the first steps in developing a plan through discussion with relevant partners and stakeholders such as Transport 2000, the National Trust, Council for National Parks and the Department for Transport. Guidance for the public on the choices of sustainable travel to National Nature Reserves is in preparation for publication in 2008.

We have started work on developing new service standards for NNR visitors, covering the availability of web-based information, signage, physical access provision and the availability of people on-site to meet and talk to visitors. This will lead to a more targeted approach, tailored to the likely visitor audience for each NNR.

Objective

Improve places for people to enjoy the natural environment.

Our targets 2006–2009

Improve facilities and services for visitors at particular NNRs through partnerships with the business sector.

Develop and implement a programme to improve the condition of National Trails and Bridleways.

Advise Government on the best way of improving access to the coast, assist in the public consultation and lead subsequent implementation.

Pilot a new programme in the London Region to connect people to the natural environment and deliver the 'Access to Natural Greenspace Standards'.

Establish partnerships with 30% of County Councils in England to develop Rights of Way Improvement Plans.

Progress in first year

We have improved public access and interpretation at eight NNRs. For example, working with the National Grid, UK Coal and Severn Trent Water, we are providing new parking arrangements at Saltfleetby-Theddlethorpe Dunes NNR, circular footpaths and hides at Goss Moor NNR, upgraded access and a new footbridge at Humberhead Peatlands NNR and new interpretation material at Lathkill Dale (part of Derbyshire Dales NNR).

We have implemented a programme to improve the conditions across the 3,500 km network of National Trails through grant aid; delivered 30 km of new and improved bridleway on the Pennine Bridleway; and developed a new five-year strategy for the Thames Path. Preparations were made to launch the Cotswold Way as our 14th National Trail in May 2007. The South West Coast Path topped a readers' poll in a walking magazine, and the Peddars Way/Norfolk Coast Path received a Council for the Preservation of Rural England award for its 'Access for All' initiative.

We delivered advice to Government on improving access to England's coast, following extensive consultation with stakeholders. We are working closely with Defra on its public consultation about the options, which will include our recommended approach, and are preparing to implement the Government's final recommendation following this.

We have established an initial pilot project plan in London that is linked to the Sustainable Communities project in the Growth Areas. We are working in partnership with core county councils, developers and house builders. The development plan will be delivered in 2007/2008.

We have established partnerships with four County Councils (Cheshire, Shropshire, Nottinghamshire and Herefordshire) and put a project plan in place.



Paul Glendell/Natural England

Health and the natural environment

To connect more people to nature, Natural England is committed to increasing the numbers of people who experience the natural environment and its health benefits. Our health programme provides opportunities for communities to get more active in their local green spaces. We continue to support the Walking the way to Health Initiative – now the largest environmental physical activity programme in Europe – developed jointly with the British Heart Foundation, and are committed to developing a new ‘Green Exercise’ programme to engage an even wider section of society who could benefit their health from contact with the natural environment.



A Natural Estate



Julia Bayne/Natural England

In London, Natural England is involved with the Neighbourhoods Green partnership that aims to create space that is good for nature and also provides decent outdoor places for people living in urban settings. We worked with Nottingham Housing, the Peabody Trust, CABE and Groundwork to publish *A Natural Estate*, which provides practical advice on techniques to enhance the green spaces in and around housing estates. This guidance enables the managers of social housing spaces to undertake simple schemes to encourage wildlife and improve the surroundings for the benefit of residents. Case studies featured include an award-winning re-development of a green on a Brixton estate by the Neilson Terry Residents’ Association. The green now contains a variety of habitats, including a pond, attracting common species of dragonfly and water beetle. The garden is highly valued by the local community.



Tony Devos/Natural England

Mineral Valleys Project

The Mineral Valleys Project in West Durham is a partnership of 50 businesses, statutory, community and voluntary organisations that is delivering a range of improvements to the local environment and access to it. The five-year investment programme of £5.2m is supported by a Heritage Lottery Fund ‘Landscape Partnership’ grant. The project’s vision is to regenerate the natural, social and industrial heritage of Weardale (89,000 hectares), help to boost the local economy by increasing visitor numbers, improve access to green space, and benefit local residents through training, skills development and volunteering opportunities.



David Dalton/FLPA

Sustainable use of the natural environment

The use and management of the natural
environment is more sustainable



River Test, Hampshire. Peter Wakely/Natural England

SUSTAINABLE USE OF THE NATURAL ENVIRONMENT

Case study **Environmental benefits for England's rivers**

Across England we are working with farmers and land managers on the England Catchment Sensitive Farming Delivery Initiative (CSF).

The programme was launched in April 2006, it is managed by Natural England on behalf of Defra, and is delivered jointly with the Environment Agency. The programme aims to increase the adoption of best practice land management and reduce damaging agricultural activities around important rivers and streams.

Activity is focused on 40 priority catchment areas across England. Each catchment area has a dedicated adviser who has undertaken an in-depth appraisal of the issues affecting the catchment. 36 out of 40 catchment appraisals have been completed and the delivery of advice is now underway in all catchments. Catchment issues primarily revolve around diffuse water pollution from agricultural activities such as the leaching of nitrates, phosphates and faecal organisms into water courses, and the siltation of water courses as a result of soil erosion. Reducing diffuse pollution entering freshwater habitats is essential if we are to

achieve 'favourable condition' in many of our freshwater Sites of Special Scientific Interest and protect Biodiversity Action Plan species and habitats reliant on clean water. The programme includes an extensive monitoring and evaluation exercise which will measure and report on progress.

Since the initiative went live to farmers in November 2006, we have run more than 250 workshops, events and demonstration activities, attended by almost 3,000 people. There have also been nearly 2,000 one-to-one meetings, mainly in the form of farm visits. The next challenge is to move to fully integrated catchment management to deliver the full range of outcomes needed to conserve and enhance the natural environment.



Outcome: **The use and management of the natural environment is more sustainable**

Why we are doing it

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

Highlights in our first year

- Delivered face-to-face conservation advice to almost 10,000 farmers and land managers at 533 events. Half of all attendees joined, or considered joining, Entry Level Stewardship and 20% did the same for Higher Level Stewardship.
- Supported the implementation of cross compliance by delivering advice to over 10,000 farmers and land managers at 247 events.
- Marine management schemes have been put in place in special protected areas at Poole Harbour, Plymouth Sound and the Exe estuary.
- Received positive customer feedback on our regulatory activities, particularly wildlife licensing, dealing with 7,224 licensing cases; an increase of 14% compared to the previous year.
- Completed first year implementation of the England Catchment Sensitive Farming Delivery Initiative (see case study), including the development and launch of a £5 million Capital Grant Scheme to reduce diffuse water pollution from agricultural activities.
- Driven forward the debate about the future of farming through our evidence to the House of Commons Environment Food and Rural Affairs Select Committee on the 'Vision for the Common Agricultural Policy'.
- Secured key natural environmental policies on biodiversity, landscape and green infrastructure within a number of regional spatial strategies.

Farmers market, Cambridgeshire.
D Burton/Natural England



The future of farming and the environment are inextricably linked. The conservation and enhancement of the natural environment depends on the continued expansion of more sustainable agriculture and land management practices. Natural England is delivering advice programmes that aim to disseminate information about 'best practice' to farmers and encourage them to adopt it. Research evidence indicates that these programmes have influenced farmers' behaviour, with direct benefits to the profitability of their businesses and the natural environment.

In addition to the England Catchment Sensitive Farming Delivery Initiative (see case study), our current advice programmes include:

- The Conservation Advice Programme. This is delivered with the Farming and Wildlife Adviser Group and Agricultural Development and Advisory Service. The programme has delivered advice to 9,500 land managers and advisers at 533 events. Half of all attendees have joined the Entry Level Stewardship or are considering doing so. A further 20% have signed up to Higher Level Stewardship or are considering doing so.
- Environment Sensitive Farming. This is focused on diffuse source water pollution and aims to help farmers and land managers understand the issues around soil erosion and soil management. It has delivered advice to 6,832 land managers and advisers at 250 events.
- Cross Compliance Advice Programme. This is a three-year advisory programme aimed at helping farmers understand the regulatory requirements newly introduced as part of the recent Common Agricultural Policy reform package and cross compliance programme. Over 34,500 farmers have received advice over the last two years, a third of all Single Payment Scheme claimants. Nearly 10,000 farmers and land managers received face-to-face advice during 2006. Overall, 75% of farmers say their understanding of cross-compliance has improved during 2006.

In addition, Natural England's Farm Demonstration Programme is promoting innovative environmental land management practices including biomass production, carbon accounting and sustainable grazing systems.

We have been instrumental in encouraging and providing leadership to local authorities and regeneration bodies to prepare green infrastructure strategies. Where strategies have been completed, Natural England has supported Green Infrastructure partnerships in developing project delivery plans. In several areas, we have advised on the appraisal and delivery of projects funded by communities and local government. We have also worked with Defra to develop advice on the implementation of Section 40 of the NERC act which places a duty on all public authorities to have regard to conserving biodiversity.

At the formation of Natural England, wildlife management and licensing functions from the Rural Development Service and English Nature were brought together, simplifying responsibility for delivery under the Wildlife & Countryside Act 1981 and the Protection of Badgers Act 1992. We are committed to delivering our wildlife licensing functions in an integrated fashion, and in accordance with the Hampton Principals.



Nick Turner/Natural England

Progress on our three year journey

Objective

To improve the quality of environmental land and sea management through the development and adoption of sustainable practices, taking account of the impact of climate change.

Our targets 2006–2009

Develop and implement a programme to recognise achievement and innovation in the supply of environmental goods and services by land, freshwater and marine managers, including:

- Biodiversity conservation.
- Landscape protection.
- Carbon management.
- Water quality improvement.
- Flood risk mitigation.
- Access

Progress in first year

We have commissioned two independent desk studies of existing award schemes across the UK in the land, freshwater and marine sectors. These reports have established where Natural England can most effectively raise awareness of sustainable practices. The reports have also indicated how Natural England can engage effectively with the fishing industry. In addition, we have consulted with key stakeholders, including the National Farmers Union, the Country Landowners and Business Association, the Tenant Farmers Association and the Marine Stewardship Council to determine the potential scope and nature of the award programme.

Natural England plans to launch an award programme during the summer of 2007. The initial focus will be on sustainable land management practices.

Objective

Environmentally sustainable farming, fishing and forestry with protection of natural resources, reductions in diffuse pollution and enhancement of the natural environment.

Our targets 2006–2009

Publish a report highlighting the most beneficial and damaging land and marine management practices for each sector.

Progress in first year

An initial report is being prepared in draft for external consultation later in the year. We aim to finalise it by mid-May 2008.

Objective

To influence markets and supply chains to develop and adopt more sustainable practices and cut greenhouse gas emissions.

Our targets 2006–2009

Lead the delivery of the Catchment Sensitive Farming project to increase the adoption of best practice and reduce damaging practices.

Work with farmers and the food industry to promote the connection between sustainable food production and the natural environment.

Progress in first year

Of 40 catchment appraisals, 36 have now been completed. Catchment steering groups have been established in all catchments and a Capital Grant Scheme developed.

Most of the research and demonstration projects associated with connecting sustainable food production and the natural environment have been successfully completed. A good example of this work is the Peak District Environmental Quality Mark. We are developing our forward programme of work in this area

Objective

Secure commitment to natural environment goals in EU, national, regional, local and sectoral policies and strategies.

Our targets 2006–2009

Agree a set of model environmental policies for inclusion in Regional Spatial Strategies.

Progress in first year

We have secured positions on key regional steering groups in order to promote and secure benefits for the natural environment and are prioritising engagement with a wide range of strategies and frameworks. Significant gains for the natural environment have been secured through strengthened environmental policies and full participation in Examinations in Public.

Outcomes include:

- adoption and strengthening of green infrastructure planning approach
- strengthened natural environment policy
- separate policy on climate change
- strengthened marine and aquatic environment policy incorporating Integrated Coastal Zone Management and Marine Spatial Planning.

Our recommendations for natural greenspace mitigation measures in areas of new housing were taken on board through our involvement in the Thames Basin Heaths Special Protection Area Delivery Plan. This promises a more secure future for precious heathland habitats and vulnerable breeding bird species including Dartford warbler and nightjar.

Objective

To increase investment in environmental enhancement and thereby the contribution of the natural environment to national regional and local economies.

Our targets 2006–2009

Pilot a new business partnership programme to create new habitat and enhance the landscape in priority areas:

- Work with the Port Authorities to establish 200 ha of intertidal habitat by March 2008.
- Work with the china clay industry in South West England to create 380 ha of new native woodland by March 2008.
- Work with house builders in Growth Areas to accelerate the adoption of the Accessible Natural Greenspace Standards.

Progress in first year

We are working with five major port authorities to secure sustainable solutions, including the delivery of inter-tidal habitat, to meet approved port capacity requirements .

We have delivered this target. Additional land has been identified which could lead to a maximum area of 396 ha being planted.

We have secured a commitment to improve large areas of existing greenspace, to make it more attractive and accessible to the public. We have promoted improvements to the provision of green space as a means of protecting internationally important heathland sites on the Thames Basin Heaths. Our solution will avoid increases in visitor use on unusually sensitive wildlife sites but increase the opportunity and choice local people have in accessing natural greenspace.



Paul Glendell/Natural England

Planning for Sustainable Communities

Natural England is supporting and challenging local authorities, regeneration bodies and developers to deliver high quality environments as part of all new developments – with a particular focus on England’s hubs for regeneration and housing growth, especially the Growth Areas and Growth Points around the South East. We have been instrumental in encouraging a broad spectrum of stakeholders to prepare green infrastructure strategies for the four Growth Areas, including the award-winning Greengrid strategy for South Essex. We have promoted the adoption of strategies within local development frameworks, leading to East London’s Greengrid Supplementary Planning Document. Nationally, we have ensured that the Government has an environmental policy in place for many of the 29 Growth Points and included a requirement for local authorities to work with Natural England to develop a green infrastructure strategy.



Peak District Environmental Quality Mark

This is a certification mark awarded to businesses that achieve high standards of environmental management in the Peak District National Park. In 2006, 17 new businesses were awarded the mark, including farms, butchers and guest houses, bringing the total to 53. An evaluation of the project found that businesses are beginning to feel economic benefits from being part of the scheme, and that they value the social rewards of trading with like-minded businesses. There is a growing list of applications for the award and it is starting to become a recognisable brand. Over the next year the project partners intend the scheme to grow in order to achieve greater environmental benefits for the Peak District. This will include more promotion of the scheme and closer links with other environmental schemes, particularly Environmental Stewardship.



Peak District National Park Authority



The Wash

The Wash supports the most extensive wild shellfish beds in the UK, providing food for birds such as oystercatcher, knot and eider. However, because of a combination of factors – over-fishing in particular – shellfish and bird numbers crashed in the early 1990s. Natural England has worked closely with the Eastern Sea Fisheries Joint Committee (ESFJC) and the fishing industry to develop sustainable fishery management measures. Draft measures have been successfully applied to the 2006 mussel and cockle fisheries. This has helped Natural England, the ESFJC and local fishermen achieve a common understanding of the issues and work together for the benefit of fishing and wildlife in the Wash.



Cefas



Julia Bayne/Natural England

A Secure environmental future

Decisions which collectively secure the future
of the natural environment



Geo-jute on unstable slopes, Dark Peak SSSI. Val Hack

A SECURE ENVIRONMENTAL FUTURE

Case study Restoration of upland peat

Improving the condition of upland peatlands is an essential element of our work to mitigate climate change. England has some 215,000 ha of peatland, which supports vital habitats and stores approximately 400 million tonnes of carbon. This represents more than the total carbon stored in the forests of Britain and France combined, and is the equivalent to around three years of the UK's total carbon dioxide output.

Peatlands in poor condition can release carbon dioxide, and it is estimated that improving the management of these peatlands could reduce England's greenhouse gas pollution by up to 400,000 tonnes of carbon dioxide a year, the equivalent of removing 2% of cars from the country's roads.

Natural England is working with leading scientists, policy makers and other specialists to look at how peatlands can be restored to secure these important reservoirs of carbon. Our Environmental Stewardship programme is playing an important role in improving the management of both grazing and burning in the uplands. We are also working with water companies who benefit from restored

peatland through a reduction in the cost of the treatment of water discoloured by eroding peats.

Natural England has been working as part of the Moors for the Future Partnership which has taken direct action in the Peak District National Park to enhance the condition of upland peats. This has been achieved through the following:

Laying over 160 km of biodegradable geo-jute netting (1.2 m wide) to help stabilise the peat and prevent erosion; re-seeding 600 hectares to prevent the erosion of peat; airlifting 1,500 tons of heather brash (cut heather) onto the moors to help stabilise the peat and provide a seed source; restoring over 8 km of footpaths; planting 135,000 dwarf shrub plug plants on the moors; and securing on-going funding for this restoration work, which recognises the contribution that peat in good condition can make to climate change mitigation.



Outcome: **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 anticipate and plan for major changes that will affect the natural environment.
- To ensure that the value of the natural environment is factored into decision making.
- To improve the natural environment through well planned social and economic development.

Highlights in our first year

- Successfully campaigned for adaptation to be included in the Draft Climate Change Bill.
- Together with our partners, we succeeded in getting a commitment from Government to establish Marine Conservation Zones in the Marine White Paper.
- Developed Green infrastructure strategies for each of the Government's four Growth Areas.
- Reviewed the evidence on the role of different land management practices in carbon storage and sequestration.
- Established four pilot projects to assess the impact of climate change on different types of landscape and to develop action plans to increase the capacity of the natural environment to adapt.
- Reached agreement with offshore wind energy companies on the appropriate location and design for up to 1,300 MW of wind energy development (441 turbines) whilst protecting the natural environment.



The Dorset Downs, one of four pilot areas selected to assess the impact of climate change
Ian Dalglish/Natural England

Natural England is leading work to increase public understanding and debate of the issues that need to be addressed in order to secure the future of the natural environment. A key area of our work has been the development and implementation of climate change adaptation strategies for the natural environment. An important early outcome has been the inclusion of adaptation in the Draft Climate Change Bill. We have selected four pilot areas (The Broads, Dorset Downs & Cranborne Chase, Shropshire Hills and Cumbria High Fells) to assess the impacts of climate change and help develop action plans to increase the adaptive capacity of the natural environment. In parallel, we have prepared a report on the role of land managers as carbon managers. Natural England also sponsored a conference to review the evidence on the role of different land management practices in carbon storage and sequestration.

We have worked with partners to balance sustainable energy production with the protection and management of the natural environment. We have worked closely with offshore wind energy companies and Government licensing departments to provide advice on how wind energy development can proceed in areas which have the least impact on the natural environment. We have worked on a wide range of proposed projects with agreement being reached on three: the London Array (up to 1,000 MW – 341 turbines); Thanet Offshore (up to 300 MW – 100 turbines) and Ormonde (up to 100 MW – 30 turbines) for which planning consent was given in 2006/2007. Natural England is continuing to work on a range of proposed projects totalling up to 5,000 MW – approximately 1,300 turbines in a number of offshore locations.

Natural England is providing leadership, advice and funding to local authorities and regeneration bodies in the preparation of green infrastructure strategies – the majority of which are now complete – and the development of project delivery plans. We have ensured that these strategies in the Government's four Growth Areas command broad support through partnerships. Highlights include the South Essex Green-grid Strategy (winner of the Landscape Institute's Strategic Landscape Planning Award 2006), the Cambridge Sub-Regional Green Infrastructure Strategy (winner of a Highly Commended award) and the launch of the Harlow Green Infrastructure Strategy.

We have led the engagement of the public in conserving and enhancing the natural environment through the 'Breathing Places' campaign, which is starting to deliver local community projects. We have also led the development of a successful £25m lottery funding bid for a new programme to improve public access to the natural environment. This is due to be implemented in 2007/2008.



Wind farm, Blyth Harbour.
Andy Tryner/Natural England

Progress on our three year journey

Objective

Engage public and specialist audiences in debating what our future natural environment should be like.

Our targets 2006–2009

Bring together evidence about the current and future state of the natural environment and the risks and potential responses.

Establish Green Infrastructure Strategies in all of England's Growth Areas by 2007.

Influence and shape marine spatial planning to protect the natural environment and support viable businesses.

Progress in first year

Work is ongoing to assess the evidence base for the current and future state of the natural environment.

All parts of major Growth Areas are now covered by a Green Infrastructure Strategy. Work is proceeding to create exemplary sites that demonstrate the importance of strategies that deliver quality greenspace networks. Highlights included the success of the South Essex Greengrid Strategy in winning the Landscape Institute's Strategic Landscape Planning Award 2006; the presentation of a Highly Commended award to the Cambridge Sub-Regional Green Infrastructure Strategy, and the launch of the Harlow Green Infrastructure Strategy. Natural England's success in influencing the Government's environmental policy for the Growth Points (announced in October 2006), secured a requirement for local authorities to work with us.

The Marine Bill is now published and addresses many of Natural England's points on Marine Spatial Planning (MSP). Our policy advice and influencing is supported by active contributions to initiatives in Europe and UNESCO, and through leading inter-agency MSP activity.

A Secure
environmental future

Objective

Increase the ability of the natural environment to adapt to climate change and contribute to greenhouse gas pollution reduction

Our targets 2006–2009

Assess the impact of climate change in four Joint Character Areas and develop a climate change response programme.

Publish a report on how to enhance the role of land managers as carbon managers.

Facilitate increased investment in the generation of clean energy by:

- Supporting onshore and offshore wind energy development in appropriate locations.
- Encouraging biomass energy production from wood fuel and agricultural products, including waste.
- Providing a clear framework for the assessment of the biodiversity and landscape impact of energy crops.

Progress in first year

Research is underway to test the methodology to assess the impact of climate change in four Joint Character Areas (The Broads, Dorset Downs & Cranborne Chase, Shropshire Hills and Cumbria High Fells). This research integrated activities occurring with the Natural Environment Multi Outcome (Nemo) project.

A draft report on how to enhance the role of land managers as carbon managers is currently being peer reviewed prior to publication in 2007/2008.

There is a need to increase the consistency and evidence base in response to planning casework for both onshore and offshore clean energy proposals.

The target area for biomass energy production has been met, but the final scale of achievement will not be known until planting has taken place. Farm Demonstration activity has been used to support the delivery of this target.

Guidance on energy crop establishment and its impact on biodiversity and landscape has been developed in the South West and is ready for national implementation. We have made progress in getting carbon and environmental sustainability issues recognised by Government and added our input – together with that of other key partners – to the design and implementation of key EU/UK biomass/bio fuel strategies.

Objective

Ensure that future threats to the natural environment and opportunities for environmental improvement are identified and acted on.

Our targets 2006–2009

Develop and pilot a framework for assessing the cumulative impact of development on the natural environment.

Progress in first year

Commissioned research has been carried out to review how cumulative impacts are assessed and addressed in other parts of the world. This has provided information about best practice and how it might be further developed. In England, a pilot study of cumulative impacts has been carried out in the Thames Basin Heaths. This information is being used in the development of a pilot framework that is currently being taken forward in two regions.

Objective

Ensure society lives within the limits of the natural environment, growing and developing the evidence base to support this.

Our targets 2006–2009

Develop and deliver a programme of local community projects – linked to the BBC's 'Breathing Places' series – that will provide an opportunity for people to take local action to conserve and enhance their environment.

Lead the development of a lottery funding bid to establish a new programme to improve access to the natural environment.

Progress in first year

The first phase of delivering a programme of local community projects has been completed. Highlights included: the successful delivery of community events on more than 150 Local Nature Reserves, as part of Natural England's contribution to 'LNR Week'; over 1,000 events on National Nature Reserves across England, as part of Natural England's Community Outreach Programme; and a major contribution to 12 Springwatch Festivals held in English cities. These Festivals attracted an audience of over 200,000 people, primarily young families making their first practical commitment to nature conservation.

A £25m BIG Lottery Fund bid was secured earlier in the year. Final audit checks should be finished in April after which the programme will be implemented.



Environment
Agency



Chris Gomersall/Natural England

The Solent – a regional coastal partnership

The Solent is a heavily populated area containing important ports (Portsmouth and Southampton), wildlife and recreational areas. Rising sea levels will have a significant effect on the environment and people here. Some change is already happening, with some salt marshes eroding at 6 metres per year. Natural England has been working with the Channel Coastal Observatory, the Environment Agency and local Councils to predict the changes that might happen over the next 100 years. This information is invaluable if we are to ensure that those organisations who manage coastal change do so effectively for people and wildlife.



Branch



Climate change adaptation: the BRANCH project and Joint Character Areas pilot

Planners, policymakers and scientists from Northern Europe, led by Natural England, have come together to show what help wildlife will need to adapt to climate change. One of the conclusions of the BRANCH project (Biodiversity Requires Action in Northwest Europe under a Changing climate) is that our planning system needs to be more flexible and allow the creation of networks of well-connected habitats. These networks will help wildlife survive the changes brought on by climate change. Building on the BRANCH project, we have begun the process of increasing our understanding of how climate change could affect the natural environment in various parts of England. Within four pilot areas, we are assessing the sensitivity of the natural environment to climate change. Comparing this with an assessment of the projected change allows us to understand the impact of future changes on the environment and how we might respond.



Flooding in Bewdley, Worcestershire.
Paul Glendell/Natural England

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

What

we strive to do

- Be independent and trusted.
- Build consensus and lead opinion.
- Be a catalyst for others and take action ourselves.

Natural England will implement a range of programmes that will build and maintain a dynamic and innovative organisation. A particular focus for these programmes in the first year will be on ensuring a smooth transition to Natural England from the founding bodies.

Highlights in our first year

- Launched the organisation with a new Strategic Direction setting out our outcomes and targets for 2006–2009. Implemented a new staff framework and management arrangements with 2,500 staff in new roles to create the teams that we need to deliver our Strategic Direction.
- Secured over 30,000 Countryside Stewardship Scheme and Environmentally Sensitive Area Scheme agreements last autumn, worth £140m, one month ahead of deadline.
- Halved the turnaround times for processing valid Entry Level Stewardship applications.
- Saved £3m through new ways of working, procurement savings and reducing the number of offices to create an estate that meets the new needs of the organisation. Attracted external funding of £4m for environmental improvements.
- Established a carbon accounting system and a baseline footprint for Natural England from which to develop measures to halve our carbon emissions by 2010.
- Implemented new Health and Safety policy and processes across the organisation, with the emphasis on reducing the number of accidents. The year ended with four incidents reported to the Health and Safety Executive compared to five in the previous year. The overall number of minor incidents reported to the Natural England Health and Safety team fell by 38%, from 261 to 163 during the same period.
- Became the first body to outsource a number of services to Defra's newly created Shared Services Directorate.

We have established ourselves as a new organisation with a new purpose. We can only succeed in achieving our aims by working with others and having the credibility to influence them to help conserve and enhance the natural environment. We received widespread positive coverage from our initial launch and continue to do so through our ongoing activities, such as our Health Campaign and coastal access work. We have agreed a Memorandum of Understanding covering joint working practices with the Environment Agency and Forestry Commission. We have also successfully engaged with all key national and regional stakeholders.

We have improved our service delivery to Environmental Stewardship customers, especially those with Entry Level Stewardship scheme agreements, where we have halved the turnaround times for processing applications. Over 96% of payments now go to agreement holders in the month they are due, with the vast majority paid within two weeks of the following month. Payments to agreement holders under the Countryside Stewardship Scheme and Environmentally Sensitive Areas Scheme were also made a month ahead of the regulatory target. Farm Woodland Scheme claims were completed and the scheme successfully transferred to the Forestry Commission. We maintained continuity through voluntary modulation and RDPE budget uncertainty, implementing provisional agreements. Alongside this, we worked with Defra to secure a £2.9bn budget over seven years for Environmental Stewardship and carried out extensive modelling to better target funds to secure enhanced environmental outcomes.

Our people and how they work are fundamental to the successful delivery of our Strategic Direction. We will only achieve our environmental objectives through our talents and skills. We have established an Executive Leadership Group. All 120 of our managers have been taken through a three-phase induction training programme and a performance management training programme has been designed and is being rolled out. We have scoped a Leadership and Staff Development Programme to provide leadership training, coaching and development for all levels of the organisation.

We are building a dynamic and innovative organisation and have embarked on a Transition Programme that will embed our new approach and new way of thinking into our organisation. Our Transition Programme has three strands: identity and culture – to deliver values; leadership and staff development – to deliver skills and behaviours; and creating one organisation – to deliver systems, structures and efficiencies. Initial workshops have been held with all teams, and findings from these are informing the shape of our emerging Organisation Development Strategy.

We have maintained continuity in our business performance through an intense period of major change. Budget and staff resources have been aligned with Natural England priorities as set out in the Strategic Direction. We have established an Investment Board alongside a project management framework to maximise the effectiveness of resource allocation. We have signed an e-enabling agreement with IBM and are on track to move to a single IT platform for all systems by October 2007. We have established a performance management framework and a quarterly performance reporting and review system to track progress we are making against our strategy.

Progress on our three year journey

Our leadership

Our targets 2006–2009

Our staff will be recognised and in demand for their leadership at all levels. We will establish leadership development programmes for all staff, with 100% of Managers and 25% of team leaders having completed a leadership programme by June 2007.

Progress in first year

We are developing proposals for an integrated Leadership and Staff Development Programme; this will include leadership training, and coaching and development for all levels of the organisation.

Our people

Our targets 2006–2009

Our staff will understand what the organisation stands for, and will be passionate and committed to its purpose. People will feel confident and supported in the development of the knowledge, skills and abilities needed for outstanding service delivery.

We will complete a staff satisfaction survey in May 2007 and use the findings to shape the future Organisation Development Strategy.

Progress in first year

One of the most critical elements of the Transition Programme has been the introduction of a Performance Management Framework that enables strategic and corporate plan targets to be translated into individual performance agreements in 2007/2008.

We will develop a programme to gain a better understanding of the organisation's skills, and skills challenges. We will also develop and embed a framework for equality and diversity in business delivery as well as HR processes. We have drafted a People Strategy and a Diversity Strategy.

The staff satisfaction survey will now be completed in September 2007.

Our knowledge

Our targets 2006–2009

We will have a robust evidence base in place to underpin all our activities, accessible to both the organisation and our partners. This will be maintained and developed through the ongoing monitoring and evaluation of delivery and a targeted programme of collaborative research.

We will have a Knowledge and Research Strategy in place by December 2006.

Progress in first year

Our framework for science, research and evidence has been developed following early feedback from key external stakeholders which has included establishing a Science Advisory Committee with representation from the external scientific community. A business process for Science and Evidence has been agreed and is in place. Processes have been piloted, or are in place, for disseminating research reports and technical information and supporting technical networks.

A Knowledge Strategy with a tactical implementation plan has been developed with engagement from across the business. The strategy will drive cultural development around a framework of 'Ask, Learn, Share' and supporting technologies. The priority going forward is to engage with staff to embed the framework in all our working practices.

Our communication

Our targets 2006–2009

Our passion for the environment will be reflected in our communication, which will be plain speaking, objective and focused on shared outcomes. Our communication will support open dialogue with our partners and stakeholders.

A stakeholder survey will be undertaken in March 2007 to inform future stakeholder engagement programmes.

Progress in first year

We are building on our strong foundations to develop communications functions and processes that are fit for our new common and shared purpose as an organisation. Much of this will be achieved through our Corporate Communications Review, which will deliver new structures and messaging processes. We will establish a baseline of stakeholder views, and a strategy for engaging with them. We will also develop new and innovative ways of conducting dialogues with staff.

A governance framework for our relationship with Defra has been established. We have actively engaged with Defra on a wide range of issues including Defra Strategy Refresh, Future of Farming, the new Rural Development Plan for England, climate change, biodiversity and better regulation. A Memorandum of Understanding has been agreed with the Environment Agency and the Forestry Commission. A partnership agreement has been entered into with the unions. We have identified the 'top 100' stakeholders with whom we are working and have appointed Account Managers to oversee our relationships with them. These managers will drive engagement with our partners by developing and maintaining a relationship plan linked to the stakeholder engagement process.

Our systems

Our targets 2006–2009

We will establish a single integrated business model for Natural England, supported by affordable technologies and efficient processes which will enable us to deliver better services to the public.

Business processes will be agreed for all our major products and services by December 2006.

Progress in first year

We will begin to develop an overarching framework for Natural England's business processes: creating new processes, and corporate consistency and understanding, so that all staff are confident in our ways of working.

The review of current business delivery processes is nearing completion for the operational delivery of incentives schemes. A successful release of the last major piece of Genesis (IT) functionality has been delivered. Three major projects have been initiated to develop frameworks for business processes and their support.

Our finances

Our targets 2006–2009

We will put in place a medium term financial planning process, to inform strategy development and enable the organisation to act with confidence in fulfilling its ambitions. The first medium term financial plan will be in place by December 2006.

Progress in first year

We are developing a medium-term financial strategy that fully reflects our strategic direction. It will also let us work optimally with our delivery partners, and develop a culture of internal efficiency which also actively embraces opportunities for commercial ventures.

Our efficiency

Our targets 2006–2009

We will meet the Government's efficiency targets for the establishment of Natural England. We will also explicitly develop targets for non cash-releasing efficiencies linked to business process reform and regulatory efficiency. We will deliver £3 million of efficiency savings in 2006/7.

Progress in first year

An Estate Asset Strategy for the Commercial Office was developed in 2006/2007, supported by an Estate Road Map. To date, the number of offices has been reduced from 66 in the three legacy bodies to 59 in Natural England. This has been done to create efficiencies but also to create an estate that meets the business needs of the new organisation. The £3m target for efficiencies set by Defra was delivered for 2006/2007. This was done through manpower reductions, procurement savings, and estate rationalisation.

Our sustainability

Our targets 2006–2009

We will lead by example in adopting good environmental management and sustainable practices. We will establish a carbon accounting system for Natural England by March 2007 and put in place measures to halve our greenhouse gas pollution by 2010.

Progress in first year

Significant work has gone into establishing an effective carbon accounting system in Natural England which will deliver progress towards the carbon reduction target. The carbon footprint of the three legacy bodies (as at 2005/2006) has been calculated and verified by independent auditors. This footprint will form the baseline from which we will develop measures to significantly reduce Natural England's carbon emissions. Natural England has also been successful in introducing business practices which aim to achieve a reduction in waste generation and an increase in recycling effort. Major green sourced energy contracts are already in place and water consumption is below the Government target.

Our regulation

Our targets 2006–2009

Our commitment is for Natural England to become a modern and efficient regulator, developing shared processes and risk-based inspections and enforcement. We will contribute to the Better Regulation Agenda by implementing the Hampton Principles across all areas of our regulatory activity.

Progress in first year

A major project to develop and improve our regulatory work has been initiated. For the first time we have compiled a comprehensive analysis of all Natural England's regulatory work. We have also begun working with Defra to establish our current administrative burden on customers.

Glossary

Agri-environment schemes

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)

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

The 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.

Catchment Sensitive Farming (CSF)

Catchment Sensitive Farming 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.

Common Agricultural Policy (CAP)

The Common Agricultural Policy is a system of European Union agricultural subsidies and programmes. It represents about 44% of the EU's budget. The CAP guarantees a minimum price to food producers and subsidises certain crops.

Countryside Stewardship Scheme (CSS)

The Countryside Stewardship Scheme 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.

Climate Change Bill

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

Campaign to Protect Rural England (CPRE)

The Campaign to Protect Rural England 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.

Defra

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

Discovering Lost Ways

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

Entry Level Stewardship (ELS)

See Agri-environment schemes

Environmental Stewardship

See Agri-environment schemes

Environmentally Sensitive Areas (ESAs)

Environmentally Sensitive Areas 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)
- Rural Development Service (environmental land management functions)

Hampton Principles

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

Higher Level Stewardship (HLS)

See Agri-environment schemes

Marine Bill

The Marine Bill is currently being prepared by Defra. Its aim is to ensure that we have clean, healthy, safe, productive and biologically diverse oceans and seas. To do this, the Bill will put in place a better system for delivering the sustainable development of the marine and coastal environment. This will address both the use and protection of our marine resources.

Marine Protected Area (MPA)

A 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 (NNRs)

NNRs 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. At the end of March 2007, there were 222 NNRs in England, covering over 93,000 hectares.

Natural England Multiple Objectives (Nemo)

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

Organic Entry Level Stewardship (OELS)

See Agri-environment schemes

Special Areas of Conservation (SACs)

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.

Sites of Special Scientific Interest (SSSIs)

SSSIs 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. There are around 4,000 SSSIs in England covering just over 1 million hectares.

Species Recovery Programme

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

State of the Environment Report

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

Strategic Direction

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

Financial Summary

Machinery of Government transfers

Selective provisions of the Natural Environment and Rural Communities Act 2006 were activated under Statutory Instrument 2006 Number 1176 (C.40) Natural Environment England & Wales, Natural Environment Northern Ireland, Rights of Way England. The Instrument established a pre-cursor body from 2 May 2006. Its function was to provide a legal structure for the activities of the shadow Board, Executive and Audit Committee in the run up to vesting. These included decisions made by the Executive Board on a brand and communications strategy for vesting. Also financial control procedures were established and continuity of relationships was maintained. All of the costs of these activities were charged to the Department for Environment, Food and Rural Affairs (Defra). Natural England became fully functional on 1 October 2006 as a result of the merger of English Nature, the majority of the Countryside Agency (the remainder formed the Commission for Rural Communities) and the Rural Development Service (RDS) which was formerly part of Defra. In accordance with the Government Financial Reporting Manual merger principles have been applied to the Natural England accounts. As a consequence the operations are presented as though the new arrangements had been in place from the start of the previous year, that is 1 April 2005. The three founding bodies had similar accounting policies which did not require prior year adjustments, and these policies have been adopted by Natural England as the Directors consider them to be appropriate.

In accordance with Part 1, Chapter 3 of the Natural Environment and Rural Communities Act 2006 not all of the assets and liabilities of the founding bodies were transferred to Natural England. At vesting all commercial leaseholds transferred from the founding bodies to Defra. This resulted in Natural England inheriting fixed tangible assets with a net book value of £895k less than the founding bodies. The transfers to Defra were at net book value so no profit or loss arose on the transfer. John Dower House also transferred to Defra as it is occupied by both Natural England and the Commission for Rural Communities. The reduction in tangible fixed assets caused by this transfer was £3.3m. However, Defra has acknowledged that Natural England is entitled to 85% of the proceeds when it is sold, which is currently planned to be in 2009, to contribute to funding the estates rationalisation programme.

Available Resources

The principal resource available to Natural England is its people. In addition, the relationship with key partners such as the Environment Agency and the Forestry Commission is vital to the success of Natural England's business. More specifically, Natural England invested £1.4m in additional fixed assets to contribute to the delivery of its business objectives. Over and above this, as described in Outcome 1, Natural England manages directly, or through partners, 93,000 hectares of National Nature Reserves.

Risks and uncertainties

In the Statement on Internal Control (SIC) on pages 53 to 60 there is a full discussion of the risk and control framework that operates in Natural England. A key area of concern was the service provided by Defra Shared Services Directorate.

Financial position

Natural England is financed principally by Grant In Aid, including funds earmarked for financing Natural England's participation in the Joint Nature Conservation Committee (JNCC). Significant funds are also received in grants from the EU, National Lottery, contributions from partners and income from National Nature Reserves. Total income for 2006/2007 was £10m. Changes in the Government Financial Reporting Manual for 2006/2007 require that the Grant In Aid is charged to the Revenue Reserve rather than shown as income in an Income and Expenditure Account. This explains why an Operating Cost Statement is used. In 2006/2007 Natural England received £201m of cash Grant In Aid and a further £4m in respect of JNCC. As a consequence of this change the Government Grant Reserve and the Capital Reserve are now part of the Revenue Reserve.

Total expenditure for 2006/2007 was £233m. £90m of expenditure was deployed on staff costs. £44m was spent on programmes. £27m was given out as grants. £2m was spent on information and publicity. £5m is passed through to JNCC. The remaining £65m relates to overheads and support costs.

Net liabilities amount to £23.9m (please refer to the going concern comments below), comprising of £9m fixed assets, £330k of long-term debtors and £32.3m net current liabilities and £1m provision for early retirement and pension costs. These values include the impact of asset revaluation which maintains book values in line with current prices. On 1 February 2007 Natural England became part of the Defra E-Nabling contract with IBM which provides computing systems and services. On this date all of the computer assets and software licences transferred to IBM. This reduced Natural England's tangible assets by £766k and its intangible assets by £258k. These assets were transferred to IBM for £407k; therefore a net loss of £617k arose.

Natural England was allocated Grant In Aid for the year of £205m with a promise that additional funds would be made available to cover the Genesis system recharges. These totalled £20m giving total Grant In Aid of £225m. The charges were not calculated until late March; hence invoices were not raised in time to be paid in 2006/2007. As is best practice Natural England did not draw the funds from Defra to cover these charges as this would have been in excess of need. If Natural England's total Grant In Aid allocation were compared with the net cost of £224m the reader would determine that Natural England was £1m underspent, which is less than 1/2% of the total budget for the year.

Significant changes and the impact on Natural England as a going concern

A more detailed consideration of what Natural England has achieved, including implications for the future, is given for each outcome of the organisation in the foregoing sections of this Report. There are no impacts of which we are currently aware on Natural England continuing as a going concern.

Although Natural England has a negative balance sheet this should not be taken as an indicator that it cannot meet its liabilities. It is due merely to a timing difference between costs being incurred and paid for.

Companies Act Disclosures

Introduction

In addition to the foregoing management summary the Government Financial Reporting Manual requires disclosure of the following matters which relate to the requirements of the Companies Act 1989.

History and statutory background

Natural England was established on 30 March 2006 in accordance with the provisions of the Natural Environment and Rural Communities Act 2006, and became fully operational on 1 October 2006.

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

The Joint Nature Conservation Committee (JNCC) was established on 5 November 1990 by Section 128(4) of the Environmental Protection Act 1990 to carry out the functions listed in Section 133 of that Act. The JNCC is funded on an agreed proportionate basis by Natural England, Scottish Natural Heritage (SNH), the Countryside Council for Wales (CCW) and Council for Nature Conservation and the Countryside (Northern Ireland) (see note 1.4 in Notes to the financial statements).

Payment of creditors

Natural England follows the principles of the Better Payment Practice Code. The policy is to ensure that all payments are made by their due date. This policy is known throughout the organisation and there is a formal complaints procedure to enable suppliers' complaints to be dealt with quickly. In 2006/2007, 89.9% of invoices were paid by their due date. No late payment interest was incurred in the year. Whilst no direct comparison is available, English Nature and the Countryside Agency did not incur any late payment interest in 2005/2006 but the RDS figure is not distinguishable from Defra.

Disabled persons

Natural England observes the provisions of the Disability Discrimination Act 1995 and associated Code of Practice by appointing and promoting on merit. The Code of Practice is applied to Natural England's premises as far as is reasonably practicable, Natural England will make it easier for people to enter and move around its buildings. Special access arrangements are being developed on targeted National Nature Reserves.

Employee involvement

Natural England's management and the Trade Unions (PCS, Prospect and FDA) continue to have open, positive and constructive dialogue both through the formal mechanism of the National Joint Group and through the informal partnership-style approach. The close working relationship is based on mutual trust and understanding which, while respecting the sometimes differing priorities of the parties, is highly valued by both, providing, as it does, 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.

Research and development

See note 1.15 in the Notes to the financial statements

Financial Instruments

See note 1.19 in the Notes to the financial statements.

Future developments

Please refer to the foregoing sections of the Annual Report and Accounts and the Statement on Internal Control.

Responsibility for the direction of Natural England

1. Board members

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 2007 there were sixteen non-executive Members including the Chair.

The composition of the board from 1 October 2006 was as follows:

Sir Martin Doughty – Chair

Mr Poul Christensen – Deputy Chair

Mr Peter Allen

Ms Melinda Appleby

Ms Sarah Burton

Dr Roger Clarke

Mrs Lynn Crowe

Mr Merrick Denton-Thompson

Professor Michael Depledge

Mr Anthony Hams

Professor David Hill

Mr Doug Huyler

Professor David Macdonald

Mr Christopher Pennell

Dr Helen Phillips

Ms Pam Warhurst

Full details concerning the Members of the Board are given in the Board Members section of the Annual Report. The Audit Committee is chaired by Christopher Pennell. The other members are Poul Christensen, David Hill and Pam Warhurst.

Board Members complete Natural England's Register of Interests which is open for public inspection at its meetings and as part of this Annual Report and Accounts. Accountability Statements are in place for the Chair, Board Members and each of the other main roles in the organisation's structure. Up to six public Board meetings take place annually in different locations. Further workshops and seminars are arranged on topical issues.

2. Management Board

The composition of the management board from 1 October 2006 was as follows:

Dr. Helen Phillips - Chief Executive
Mr Adrian Belton
Mr Guy Thompson
Mr Dave Webster
Mr David Young

Pension Liabilities

For details of available pension schemes and the way in which pensions liabilities are treated please refer to the Remuneration Report, paragraph 1.17 of the Accounting Policies and note 6.3 in Notes to the financial statements.

Corporate Governance

Natural England's corporate governance arrangements are incorporated within the Statement on Internal Control.

Accounts direction

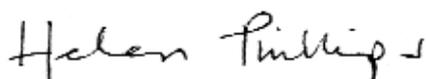
The accounts have been prepared in a form determined by the Secretary of State for the Department for Environment, Food and Rural Affairs with the approval of the Treasury in accordance with Schedule 1, Section 24(3) of the Natural Environment and Rural Communities Act 2006. Natural England was issued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

Auditor

Under Schedule 1, Section 24(4) of the Natural Environment and Rural Communities Act 2006, the Comptroller and Auditor General shall examine, certify and report on the statements of account and lay copies of them, together with his report thereon before each House of Parliament.

The cost of work performed by the auditor for statutory audit work in respect of the financial year 2006/2007 is £266k.

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.



Dr Helen Phillips
Accounting Officer and Chief Executive

2 October 2007

Statement of Board's and Chief Executive's Responsibilities

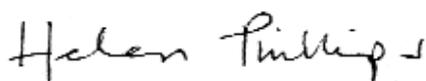
Under Schedule 1, Section 24(2) of the Natural Environment and Rural Communities Act 2006 Natural England is required to prepare a statement of accounts for each financial year in a form and on a basis determined by the Secretary of State, with the approval of the Treasury. The financial statements are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

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

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

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

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



Dr Helen Phillips
Accounting Officer and Chief Executive

2 October 2007

Statement on Internal Control

1 Introduction

Natural England was created by the Natural Environment and Rural Communities Act bringing together English Nature and the Countryside Agency and the Rural Development Service (RDS) from the Department for Environment, Food and Rural Affairs (Defra). The effective date for this transition was 1 October 2006. In accordance with the requirements of the Government Financial Reporting Manual, Natural England's first accounts cover the complete financial year 2006/2007 and apply the conventions of Merger Accounting in relation to the disclosure of transactions relating to the founding bodies' activities in the period to 30 September 2006.

This Statement describes the systems established by Natural England and places reliance on representations made by the founding bodies on the systems in place therein between 1 April to 30 September 2006.

2 Assurance from Founding Bodies

English Nature and the Countryside Agency were Non-Departmental Public Bodies whose audited accounts for 2005/2006 contained Statements on Internal Control which were compliant with Treasury requirements. These statements were signed by the respective Accounting Officers covering the period up to their signature in early July 2006. The systems underpinning those Statements were maintained by English Nature and the Countryside Agency in the subsequent period and were re-confirmed by interim statements signed by the Accounting Officers on 30 September 2006.

In close liaison with the Executive of the statutory pre-cursor body for Natural England the Accounting Officers of English Nature and the Countryside Agency also provided supporting schedules giving further detail on the control and risk management procedures upon which their interim Statements were based and outlining the significant internal control issues identified in their interim Statements.

The RDS was not a separately audited entity as it formed a division of Defra. As such its systems of internal control were subsumed within the overall arrangements for Defra. The Defra accounts for 2005/2006 contained a Statement on Internal Control which was compliant with Treasury requirements. This statement was signed by the Defra Accounting Officer, covering the period up to her signature, in early October 2006.

In a similar process to that adopted by English Nature and the Countryside Agency the head of the RDS provided Natural England with an interim Statement on Internal Control and supporting schedules covering the period from 1 April to 30 September 2006. Although less comprehensive than the information provided by English Nature and the Countryside Agency this was sufficient to identify the ongoing areas of risk to be addressed by Natural England. These issues are included in the following table.

	Issue	Action taken
Genesis IT Systems	The Genesis system was developed by Defra to be deployed in the RDS in the administration of rural development grant schemes. The system had been subject to delays and cost overruns.	Natural England is exercising due diligence on the completion of the development of the system before taking over formal responsibility and ownership of the system from Defra. Release 7 of the system has been operational in Natural England since March 2007, but responsibility for the system has not yet been transferred from Defra.
The Rural Land Register (RLR)	The RLR is maintained by the Rural Payments Agency (RPA) and the effective operation of the Environmental Stewardship Scheme (ESS) is dependant on the accurate maintenance of the Rural land features on the RLR. The RPA's problems in effective maintenance of the RLR had a knock on impact on RDS's ability to administer the ESS properly.	Natural England has maintained close liaison with the RPA and the data quality of the RLR, including the recording of land features of relevance to the ESS, has much improved.
Payments made without formal cross checks	In a small number of cases final payments were made for discontinued rural development schemes without the appropriate inspection having taken place.	Subsequent review established that no inappropriate payments had been made. In liaison with Natural England the RPA has now revised its inspection procedures to ensure there is no recurrence of this problem.
Corporate Services	There had been a deterioration in the accounting and support services provided for RDS by Defra.	The financial systems of Natural England have been brought onto a common Oracle platform and the importance of management information has been identified as a key business requirement. Natural England continues to closely monitor the quality of its bought in Corporate Services and the control weaknesses arising are referred to in section 8 of this report.
Staff Morale	Staff morale had taken a serious drop with a consequential significant rise in stress levels.	Natural England has invested in both an induction process for all staff and also a Transition process to ensure a common culture and common systems and a common understanding of the corporate objectives.

3 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 departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me within Annex 4.1 of *Government Accounting 2000 (Amendment 4/05)*.

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 Committee.

The Executive governance shows:

- who is accountable for delivery of strategic objectives and how the Executive Board, Executive Leadership 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 whistleblowing procedure designed to comply with the Public Interest Disclosure Act 1998.

As part of the process for agreeing the business plan for 2006/2007, Natural England carried out consultations and held discussions with officials at the Department for Environment, Food and Rural Affairs (Defra). The issues discussed included Natural England's contribution to the delivery of high level priorities and targets, corporate level risks and financial plans. This interaction between Natural England and Defra continued for the purposes of agreeing the Strategic Direction 2006 – 2009.

4 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 and its founding bodies as described above for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

5 The risk and control framework

The Audit Committee has approved the Natural England Risk Management Framework and reviewed actions taken to manage risk and the Strategic Risk Register (SRR). This register is used by the Head of Internal Audit to ensure that the Internal Audit Programme is focussed on those areas of highest risk. The Executive Board has cascaded the SRR to the Executive Leadership Group for review. The two high impact risks that have been identified for 2006/2007 are the failure to achieve the organisational design work as intended and the failure to make scheme payments to time and standard.

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.

The control is exercised through the Executive Board, the Executive Leadership Group, the Investment Board, Programme and Project Boards. Delivery agreements exist with individual teams that allocate responsibility for meeting the corporate targets in our strategic direction. Quarterly reviews are undertaken by Executive Directors to assess progress, highlight risks to delivery, areas of concern and identify corrective action.

Members of staff are informed about risk management through guidance on the preparation of risk registers that are produced and maintained for projects and other business activities. Natural England's corporate governance staff are aware of best practice in the public sector and promulgate this through the regular revision of guidance.

6 Capacity to handle risk

In designing the new organisation, its capacity for risk was thoroughly reviewed. The risk tolerance was discussed with the Board and the Audit Committee to ensure it was understood and could be acted upon. This made it possible for the organisation to more quickly achieve the significant change agenda and implement organisation-wide systems, policies and processes required to vest from 1 October 2006 and to deliver the "licence to operate" obligations of Natural England.

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 control of the risk appetite of Natural England. Therefore the following controls also exist:

- a strategic risk register which is regularly reviewed by the Executive Board and Audit Committee on a quarterly basis including a Risk management Action Plan for each risk with the actions to mitigate and manage the risks;
- subsidiary risk registers at a delivery agreement, project and team level; and
- quarterly performance reviews by Executive Directors which assess risk as part of the balanced scorecard for each team.

7 Joint Nature Conservation Committee (JNCC)

Details of the control and risk assurance relationship between Natural England and JNCC are shown below. A key element in monitoring the control environment of JNCC exists through the membership by Natural England Board Members of JNCC Council and JNCC Audit Committee.

The above arrangements apply to Natural England and include controls over its participation in, and funding of the activities of the Joint Nature Conservation Committee (JNCC).

The JNCC has established a company limited by guarantee (JNCC Support Co.) under the Regulatory Reform (JNCC) Order (2005). The company provides the corporate vehicle through which the JNCC employs staff and administers its funds (including letting its own contracts) to deliver its corporate plan. The Company has its own Audit & Risk Management Committee and Natural England has representation on the Committee. The Natural England Audit Committee receives an annual report and has access to internal audit and external audit reports.

For policy/administrative purposes the JNCC, a committee of executive non-departmental public bodies, is classified as equivalent or analogous to a non-departmental public body.

JNCC operates on behalf of Natural England, Scottish Natural Heritage (SNH), the Countryside Council for Wales (CCW), the Council for Nature Conservation and the Countryside (NI), and the sponsoring Department Defra. An account of the activities of the JNCC can be found in their Annual Report and Accounts, published on their internet site www.jncc.gov.uk. Copies can also be obtained by telephoning 01733 866839.

The Chief Executives of the funding bodies jointly have Accounting Officer responsibilities for the JNCC. Natural England's Chief Executive (acting as lead Accounting Officer on behalf of the funding bodies) delegates certain Accounting Officer responsibilities in respect of the JNCC to the JNCC Support Co.'s Managing Director, and may withdraw these delegations if she believes that the incumbent is no longer suitable for the role. These arrangements, and the details of delegation, are set out in the JNCC Accountability Framework, the Management Statement and the Financial Memorandum, all of which are signed off by the Chief Executives of the funding bodies.

The Managing Director of JNCC Support Co. is personally responsible for safeguarding the public funds for which he has charge; for ensuring propriety and regularity in the handling of those public funds and assets, and for the day-to-day operations and management of the JNCC. A statement on the systems of internal control operating within the JNCC, made by the Managing Director, is included in the JNCC Annual Report and Accounts.

As lead Accounting Officer I ensure that :

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

It is the responsibility of the Managing Director of JNCC Support Co. to ensure that timely forecasts and monitoring information on performance and finance are provided to Natural England to enable satisfactory monitoring of:

- the JNCC's cash management;
- its draw-down of any Grant In Aid;
- forecast outturn by resource headings; and
- other data required for the Government Expenditure Monitoring Systems.

I gain additional assurance on the controls within JNCC by:

- attending meetings with the Chief Executives of each country's body and JNCC Support Co.'s Managing Director;
- receiving JNCC's internal audit reports; and
- scrutinising JNCC's plans and financial and performance information at Joint Nature Conservation Committee meetings.

8 Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the Executive Directors, Executive Leadership Group, Team Managers and Team Leaders within Natural England who have responsibility for the development and maintenance of the internal control framework. It is supported by the work of the internal auditors, comments made by the external auditors and advice from the Audit Committee.

At the time of vesting on 1 October 2006 a significant proportion of the controls that operated in Natural England were inevitably those of the founding bodies. The Executive team has achieved a significant amount of progress towards clear consolidated Natural England controls. Some of this progress has been hampered by the performance of the SSD in supporting Natural England, and the need for SSD to recognise that as a distinctive NDPB it must have a distinct control framework. I recognise as Accounting Officer that whilst a significant amount of progress has been made in a short period of time, significant improvement in the systems of control is still needed.

Natural England has benefited from the establishment of an independent internal audit activity with an internal Head of Internal Audit and an external contract to deliver specific reviews. All internal audit activity is targeted at assessing the adequacy and effectiveness of the systems of internal control in the areas reviewed.

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. The Head of Internal Audit is able to give assurance that this Statement gives a fair reflection of the systems of control in place within Natural England and that significant control issues have been included within the Statement.

The Head of Internal Audit's opinion includes an assessment of the control position of Natural England. The opinion records the context within which the controls have been operated during the first period of operation, and the steps which are being taken to improve the control environment. In a number of instances the controls that have been operating have been basic controls inherited from the founding bodies, in the absence of new controls that better fit the Natural England model. As a result the Head of Internal Audit's opinion provides a limited level of assurance that the control framework is operating effectively. This indicates that there are some weaknesses in control that could have a significant impact on the achievement of key systems, functions or process objectives but should not have a significant impact on the achievement of organisational objectives.

Natural England's Audit Committee has comprised four non-executive directors from the Board, and has been further strengthened after the period, in June 2007, with the appointment of an additional non-executive member of the Committee. It raises issues and concerns as necessary with me as Accounting Officer and the Board. Its attendees include the Chief Executive, the Executive Director of Corporate Services, the National Audit Office and the Head of Internal Audit. Its terms of reference ensure that risk management and internal control are regularly considered during the year.

The Board receives reports from the Chair of the Audit Committee concerning the work of the Committee. The Committee will continue to advise on developments in risk management and will also assess risks and controls on an ongoing basis. In addition, the risk management and corporate governance framework is examined annually by Internal Audit.

Areas that presented significant risks to the system of internal control in 2006/2007 were:

- the setting up of the new organisation structure;
- the transfer of financial services to Defra's Shared Services Directorate;
- the implementation of a new financial and human resource management system through the Shared Services Directorate;
- the new arrangements for information technology support through the Defra provided E-enabling agreement with IBM;
- failure to retain key staff; and
- the failure to deliver agri-environmental schemes on time and to standard.

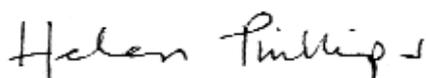
These risks were discussed with the Board, and progress in managing these risks has been reported on a regular basis.

Control Assurance Questionnaires have been completed and signed off by each member of the Executive Leadership Group and senior staff within Natural England and the Shared Services Directorate of Defra (SSD). These Assurance Questionnaires required staff to make an assessment about the adequacy of the control framework that has been in place throughout the period and highlight areas of control weakness and identify improvement action plans. These statements have formed part of the review of effectiveness by the Executive Board and the Audit Committee.

In 2006/2007 the following significant control issues were identified:

Description of control event	Management Action
<p>Risk Management The Framework in the new organisation has not been fully embedded in the period.</p>	<p>The following actions are being pursued: Executive reviews of the risk registers at every level; Risk management will form part of each team's quarterly review by Executive directors; and Workshop sessions on business risk. Assessment will be undertaken with each team to facilitate the "bottom up" organisation-wide identification and management of risk.</p>
<p>Business Continuity Planning The business has identified a number of risks to business continuity, and there is an overriding risk that business continuity plans have not been tested. Of particular concern has been the performance of the Oracle financial system</p>	<p>A corporate business continuity plan will be formalised, consolidating individual location plans developed in 2006/2007 and testing on these plans will commence. SSD's plans for the establishment of a robust parallel live environment will be supported and monitored.</p>
<p>Non-Financial Scheme of delegation Awareness of and compliance with the scheme has not been actively monitored throughout the period.</p>	<p>Training and awareness of the scheme will be targeted at the specific needs of teams as identified in the control questionnaire.</p>
<p>Control of Assets The policies and processes in this area are not strong enough. Whilst a full verification exercise confirmed the assets in the balance sheet, Natural England is still vulnerable to loss.</p>	<p>Policies, training and communication will be made available to line managers to improve the controls in this area in 2007.</p>
<p>Financial System of Control On the establishment of Natural England evidence of the operation of financial system controls, reconciliations and management information was not available on a timely basis by SSD. This has resulted in payments being made late, backlogs in processing and day to day difficulties in managing cash flow. Because of the absence of evidence of control and delays in reconciliations it delayed the production and audit of the year end accounts.</p>	<p>Natural England has identified and documented these weaknesses in a series of high level meetings with SSD. We will monitor their performance in 2007/2008 against: agreed improvements plans; agreed Service Level Agreements; and agreed performance metrics. The Audit Committee will also be specifically monitoring and will wish to see evidence of the improvement in controls on a quarterly basis.</p>

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



Dr Helen Phillips
Accounting Officer and Chief Executive

2 October 2007

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 2007 under the Natural Environment and Rural Communities Act 2006. These comprise the Operating Cost Statement, Balance Sheet, Cashflow Statement, Statement of Recognised Gains and Losses, and the related Notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Board, Chief Executive and Auditor

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Natural Environment and Rural Communities Act 2006 and the Secretary of State's directions made thereunder. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Chair's and Chief Executive's Foreword, Our Achievements, Financial Summary, and Companies Act Disclosures, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament, and the financial transactions conform to the authorities which govern them.

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

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Natural Environment and Rural Communities Act 2006 and directions made thereunder by Secretary of State of the state of Natural England's affairs as at 31 March 2007 and of its net cost for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Natural Environment and Rural Communities Act 2006 and the Secretary of State's directions made thereunder; and
- information given within the Annual Report, which comprises the Chair's and Chief Executive's Foreword, Our Achievements, Financial Summary, and Companies Act Disclosures, is consistent with the financial statements.

Audit Opinion on Regularity

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

Report

I have no observations to make on these financial statements.



John Bourn
Comptroller and Auditor General

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

3 October 2007

Operating Cost Statement for the year ended 31 March 2007

Gross income	Notes	2006/2007 £000	2006/2007 £000	2005/2006 £000 Restated
Income from activities	2	5,425		15,845
EU grants	3	2,092		1,366
Other operating income	4	1,350		3,519
Shared conservation income	5	1,091		1,295
Transfer from deferred EU capital grant account	18.2	5		4
			9,963	22,029
Expenditure				
Staff costs	6.1	89,762		92,860
Other operating costs	7	63,414		54,146
Programme expenditure	8	43,913		43,727
Grants	9	26,615		36,999
Shared conservation expenditure	5	4,979		4,947
Information and publicity	10	2,262		4,775
Depreciation	11.1, 11.2	2,301		2,393
Impairment of asset values	11.1, 11.2	0		308
			233,246	240,155
Net operating cost of activities			(223,283)	(218,126)
(Loss)/Profit on sale of fixed assets			(869)	20
Interest received and similar income			335	679
Notional cost of capital	12		102	93
Net cost of ordinary activities			(223,715)	(217,334)
Add back notional costs	12		(94)	(83)
Net cost for the financial year			(223,809)	(217,417)

All income and expenditure was derived from continuing operations. However, as noted at 1.1.iv this has involved a machinery of Government change. See also Note 1.2 for change in accounting policy.

Statement of Recognised Gains and Losses

	2006/2007 £000	2005/2006 £000 Restated
Actuarial losses (Note 6.4)	65	0
Net gain on revaluation (Note 23)	(560)	(511)
Change in share of JNCC	(4)	1
Recognised gains and losses relating to the year	(499)	(510)

The accounting policies and notes on pages 66 to 90 form part of these financial statements.

Balance Sheet as at 31 March 2007

	Notes	2006/2007 £000	2006/2007 £000	2005/2006 £000 Restated
Fixed assets				
Intangible assets	11.1		49	378
Tangible assets	11.2		<u>8,978</u>	<u>14,778</u>
			9,027	15,156
Debtors falling due after 1 year				
	13.1		330	1,087
Current assets				
Stocks	14	100		129
Debtors falling due within 1 year	13.2	4,828		9,708
Short term investments	15	156		149
Cash at bank and in hand	16	<u>21,001</u>		<u>11,355</u>
		26,085		21,341
Current liabilities:				
Amounts falling due within 1 year	17	(58,001)		(33,642)
Deferred EU grant	18.1, 18.2	<u>(348)</u>		<u>(459)</u>
		(58,349)		(34,101)
Net current liabilities			<u>(32,264)</u>	<u>(12,760)</u>
Total assets less current liabilities			<u>(22,907)</u>	<u>3,483</u>
Provisions for liabilities and charges				
Provision for early retirement costs	19	(807)		(1,868)
Provision for restructuring	20	0		(735)
Provision for redundancy costs	21	0		(1,108)
Provision for pension costs	22	<u>(226)</u>		<u>(2,317)</u>
			(1,033)	(6,028)
Total assets less all liabilities			<u>(23,940)</u>	<u>(2,545)</u>
Capital and reserves				
Revaluation Reserve	23		682	1,048
Revenue Reserve	24		<u>(24,622)</u>	<u>(3,593)</u>
			(23,940)	(2,545)

The accounting policies and notes on pages 66 to 90 form part of these financial statements. See also Note 1.2 for change in accounting policy.

The balance sheet is showing a negative balance because of timing differences between consumption and payment. Natural England draws Grant In Aid to cover its cash requirements and not to represent income.

Helen Phillips

Dr Helen Phillips

Accounting Officer and Chief Executive

Approved for publication by Parliament

2 October 2007

8 October 2007

Cash Flow Statement for the year ended 31 March 2007

	2006/2007 £000	2005/2006 £000 Restated
Operating activities:		
Receipts	15,564	23,733
Payments	<u>(211,720)</u>	<u>(240,139)</u>
Net cash outflow from operating activities (see Note 25 - Note 1 to the Cash flow statement)	(196,156)	(216,406)
Returns on investments and servicing of finance:		
Interest received	368	682
Capital expenditure		
Payments to acquire fixed assets	(1,090)	(1,536)
Proceeds from sales of fixed assets	<u>710</u>	<u>87</u>
	(380)	(1,449)
Management of Liquid Resources		
Withdrawals from short term deposits not qualifying as cash	0	(83)
Payments into short term deposits not qualifying as cash	<u>(6)</u>	<u>23</u>
	(6)	(60)
Net cash outflow before financing	(196,174)	(217,233)
Financing:		
Government grants received and applied to:		
purchase of fixed assets	1,358	1,471
revenue expenditure	204,327	215,775
Other Government Grants received	31	72
Deferred EU revenue grant received	97	353
Interest received on deferred EU grant	<u>7</u>	<u>19</u>
	205,820	217,690
Increase in cash and cash equivalents (see Note 26 - Note 2 to the Cash flow statement)	9,646	457

Notes to the financial statements

1 Statement of accounting policies

1.1 Basis of accounting

- i) The Financial Statements follow the reporting guidance set out in the *Government Financial Reporting Manual (FReM)* and the accounts direction issued by the Secretary of State, in accordance with Schedule 1, Sections 23 and 24 of the Natural Environment and Rural Communities Act 2006. Where the FReM permits a choice of accounting policy, the accounting policy that has been judged to be the most appropriate to the particular circumstances of Natural England for the purpose of giving a true and fair view has been selected. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.
- ii) The Financial Statements are intended, without limiting the information given, to meet the requirements of the Companies Act 1985 and 1989 and the Statements of Standard Accounting Practice and Financial Reporting Standards issued and approved by the Accounting Standards Board insofar as these requirements are appropriate.
- iii) The Financial Statements have been prepared under the historical cost convention, modified by the revaluation of fixed assets. Revaluations of tangible and intangible fixed assets are taken to a Revaluation Reserve.
- iv) On 1 October 2006 English Nature, the Rural Development Service and part of the Countryside Agency combined to form Natural England. This has been accounted for under FRS 6 Mergers and Acquisitions as a merger in accordance with FReM. As a consequence the operations of Natural England are presented in this account as though the new arrangements had been in place at the start of the previous year, that is 1 April 2005.

To properly account for the merger, eliminations have been made between the three founding bodies in 2005/2006 comparators and for the first six months of 2006/2007. In the case of Countryside Agency transactions and to a lesser extent Rural Development Service transactions inter-company transactions were considered to determine whether they related to merged elements or the elements which did not transfer.

The three founding bodies had similar accounting policies therefore no adjustments have been required to harmonise them.

1.2 Change of accounting policy

With effect from the 2006/2007 reporting period the FReM requires Non-Departmental Public Bodies (NDPB) to account for grants and grants in aid received for revenue purposes as financing because they are regarded as contributions from a controlling party which gives rise to a financial interest in the residual interest of NDPBs. This is a change in accounting policy from earlier periods when such items were recorded as income. The effect of this change on the 2005/2006 accounts and the impact of the change on the results of the current year is shown below. Note there is no impact on the net liability position of Natural England as a result of this change in policy:

	At 31 March 2006 (as previously stated) £000	Impact of Adopting the new policy £000	At 31 March 2006 (restated) £000
Net cost for 2005/2006	(171)	(217,246)	(217,417)
Revenue Reserve	(17,693)	14,100	(3,593)
Revaluation Reserve	0	1,048	1,048
Government Grant Reserve	13,982	(13,982)	0
Capital Reserve	1,166	(1,166)	0

	At 31 March 2007 (without applying the new policy) £000	Impact of Adopting the new policy £000	At 31 March 2007 (applying the new policy) £000
Net cost for 2006/2007	(19,400)	(204,409)	(223,809)
Revenue Reserve	(33,351)	8,729	(24,622)
Revaluation Reserve	0	682	682
Government Grant Reserve	8,004	(8,004)	0
Capital Reserve	1,407	(1,407)	0

1.3 *Going concern*

Although the balance sheet is negative it is appropriate to treat Natural England as a going concern as its activities are funded by Defra. Due to the fact that a number of large charges were levied in late March and therefore not paid during 2006/2007 the balance sheet carries a large negative number in anticipation of the funding to cover these late charges when they are paid in 2007/2008. The late charges arose as a consequence of a four month spending moratorium and the merger during the year of a large number of activities concluded at the very end of March. These activities were not paid for until April and therefore the total amount of Grant In Aid cover was not drawn down. Funding from Defra has been secured in writing for 2007/2008 activities.

1.4 *Joint Nature Conservation Committee*

Natural England incorporates the results of the Joint Nature Conservation Committee under the terms of FRS9 "Associates and joint ventures", and includes its share of the JNCC's balances within its own accounts. Natural England's percentage contribution to the funding and its share of net revenue expenditure and ownership of the assets and liabilities of the JNCC for 2006/2007 is 56.22%, SNH share is 25.87%, CCW share is 12.94% and Department of the Environment (Northern Ireland) is 4.97%. The percentage contribution and overall budget is set by Defra in discussion with the devolved administrations in Scotland and Wales.

1.5 *Tangible Fixed assets and depreciation*

- i) Tangible Fixed Assets are stated at the lower of replacement cost and recoverable amount. Natural England has set a capitalisation threshold of £2k for assets except for land. The cost of individual items below this threshold is charged directly to the Operating Cost Statement.
- ii) Freehold land and buildings, classified as non-operational heritage assets and located on designated conservation areas have been assigned a nil valuation on the balance sheet. Treasury guidance in the form of the *FReM* does not contain a specific exemption from being valued for National Nature Reserves but Natural England's interpretation has been that this should be the case. Following a response by the Financial Reporting Advisory Board to the Accounting Standards Board discussion paper which gives definition to heritage assets, classifications are given which cover land and buildings that are held by Natural England for the sole purpose of maintaining their conservation value.
- iii) All other freehold land and buildings are revalued every 5 years by professionally qualified valuers, on the basis of value for existing use with the exception of one building which will be offered for sale during the next financial year. This property has been valued at current market value. This revaluation was carried out during 2005/2006 by external valuers, Smiths Gore, by their Royal Institute of Chartered Surveyors qualified staff. The valuations were carried out in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual (the Red Book).

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

- iv) Other assets are valued at depreciated historical cost and, where material, values are updated annually using *Price Index Numbers for Current Cost Accounting* published by the Office for National Statistics.
- v) Internally developed fixed assets are recognised as construction in progress (CIP) and treated as capital expenditure, but not depreciated until the project is brought into service. CIP is not revalued.
- vi) Depreciation is provided on all tangible fixed assets other than land at rates calculated to write off the cost or valuation of each asset evenly over its expected useful life as follows:

Freehold buildings	50 years
Short leasehold property	depreciated over life of individual leases (1-49 years)
Computer equipment	3 to 5 years
Plant and other equipment	5 to 10 years
Vehicles	5 years
Software licences	5 years
- vii) Breeding stock is treated as a grouped asset (the base herd method) and is not depreciated.

1.6 *Intangible fixed Assets and depreciation*

Internally developed computer software includes capitalisation of internal IT staff costs on projects in excess of £50k (known as Delta rate software capitalisation). Such projects are capitalised on the basis of planned staff day input, by grade at standard salary rates.

1.7 *Stock valuation*

- i) Farm stock bred for sale has been valued by the farm manager, based on prevailing market prices. Other farm stock has been valued at cost. Lambs born close to the balance sheet date are not valued as valuations are unreliable until lambs reach maturity.
- ii) For other stocks Natural England uses the lower of cost or net realisable value.
- iii) The stock valuation is adjusted for obsolete stock which is considered to be those stocks with levels of over five years worth of sales remaining and where it is considered unlikely that there will be any future income flow.

1.8 *Bad Debts*

Bad debts are written off to the operating cost statement when they are at least 12 months old and they are considered uneconomic to recover.

1.9 *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. As a consequence of this status, Natural England is not liable to Corporation Tax or Income Tax on bequests received.

1.10 *Value added taxation (VAT)*

Natural England has charitable status for VAT purposes. Natural England receives Grant In Aid from the Secretary of State and this has been treated as non-business income for the purposes of VAT. VAT input tax relating to non-business activities cannot be reclaimed from HM Customs & Excise. As Natural England makes exempt supplies for VAT it has partially-exempt status. Natural England uses an agreed formula to enable the quarterly calculation of the amount of reclaimable input tax.

1.11 *Grant In Aid*

Natural England receives Grant In Aid from the Department for Environment, Food and Rural Affairs. Government grants received to support revenue expenditure are treated as contributions from controlling parties and are credited to the revenue reserve. This is a change from previous years required by the FReM, a prior year adjustment has been made in respect of this change.

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

1.12 *Grants receivable*

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

Grants for capital expenditure are credited to the revenue reserve.

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

1.13 *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 charged to the Operating Cost Statement on the basis of entitlement. 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.

1.14 *Treatment of foreign exchange differences*

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

1.15 *Research and development*

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

1.16 *Notional costs*

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

The financing structure of Natural England does not include specific interest bearing debt, but to ensure that the Operating Cost Statement bears an appropriate charge for the use of capital in the business in the year, a

notional interest charge is included. In accordance with Treasury guidance, the calculation is based on a 3.5% cost of capital on average net assets.

1.17 *Pension Arrangements*

Natural England operates an Early Retirement Scheme, which gives retirement benefits to certain qualifying employees. These benefits conform to the rules of the Principal Civil Service Pension Scheme. Natural England bears the costs of these benefits until normal retiring age of the employees retired under the Early Retirement Scheme.

The total pension liability up to normal retiring age in respect of each employee is charged to the operating cost statement in the year in which the employee takes early retirement and a provision for future pension payments is created. Pensions and related benefits payments to the retired employee from 1 April 2003 until normal retiring age are then charged annually against the provision. See also note 6.1 Staff Costs.

The Chair and Deputy Chair are entitled to a pension scheme but are prohibited from joining the PCSPS. Individual schemes were set up, described as "by analogy to the PCSPS". Any ongoing liability arising from this arrangement will be borne by Defra or Natural England. The liabilities arising under this arrangement have been accounted for and disclosed in accordance with FRS17 "Retirement Benefits".

1.18 *Operating leases*

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

1.19 *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 16 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.

1.20 *Provisions*

Natural England provides for obligations arising from past events where it is probable that it will be required to settle the obligation and a reliable estimate can be made. This is in accordance with FRS12. Future costs have not been discounted unless they are significant.

1.21 *Contingent Liabilities*

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

1.22 *Income Recognition*

Natural England recognises income net of VAT and discounts.

2 Income from activities

	2006/2007 £000	2005/2006 £000 Restated
National Lottery Grants	3,001	12,278
Contributions from conservation partners	1,496	2,577
Income from National Nature Reserves	814	505
Sales of publications	58	54
Advice and other services	54	5
Programme income	2	398
Landfill Tax	0	28
	<u>5,425</u>	<u>15,845</u>

Income from sales is stated net of VAT and trade discounts

3 EU grants

	2006/2007 £000	2005/2006 £000 Restated
Other European Union Receipts	1,762	711
Interreg Funds	330	655
	<u>2,092</u>	<u>1,366</u>

4 Other operating income

	2006/2007 £000	2005/2006 £000 Restated
Miscellaneous receipts including rents and recharges	1,299	3,385
Bureau services	40	35
Rent from Wardens' Houses	11	16
Bequests-capital received	0	83
	<u>1,350</u>	<u>3,519</u>

5 Shared Conservation Shared Conservation Income

Natural England's share of JNCC income is as follows:
(2006/2007 - 56.22%, 2005/2006 - 57.15%)

	2006/2007 £000	2005/2006 £000 Restated
Income from Activities	685	750
European Union funds	406	545
	<u>1,091</u>	<u>1,295</u>

Natural England's share of JNCC expenditure is as follows:

Staff costs	2,359	2,274
Conservation support	1,794	1,873
Other Operating Costs	698	667
Information and Publicity	120	123
Notional costs (see Note 12)	8	10
	<u>4,979</u>	<u>4,947</u>

6.1 Staff Costs

	2006/2007 £000	2006/2007 £000	2005/2006 £000 Restated
Permanent Staff Salaries and allowances			
Chair	102		120
Members	265		244
Staff	<u>67,664</u>		<u>67,078</u>
		68,031	<u>67,442</u>
Superannuation			
Accruing Superannuation Liability Charge Payment	12,728		12,207
Transfer to early retirement provision	27		1,867
Partnership Pension Contributions	<u>37</u>		<u>46</u>
		12,792	<u>14,120</u>
Permanent Staff Social Security			
Chair	11		15
Members	19		30
Staff	<u>4,150</u>		<u>4,909</u>
		4,180	<u>4,954</u>
Agency and temporary staff		4,030	6,032
Temporary staff social security		137	271
Other staff costs		284	0
Inward secondees		308	41
		<u>89,762</u>	<u>92,860</u>

6.2 Staff numbers

The average number of whole-time equivalent persons employed during the year was as follows:

	2006/2007 No.	2005/2006 No. Restated
Permanent staff:		
Management	152	162
Operational	1,660	1,910
Administration	441	552
IT	<u>20</u>	<u>37</u>
	2,273	2,661
Temporary and contract staff:		
Management	4	0
Operational	40	30
Administration	6	34
IT	<u>0</u>	<u>5</u>
	50	69
Staff engaged on capital projects:		
IT	<u>0</u>	<u>1</u>
	0	1
Total	<u>2,323</u>	<u>2,731</u>

All IT staff transferred to IBM on 1 February under the outsourcing arrangement.

The overall staff numbers have reduced significantly due to restructuring consequent upon the merger.

6.3 Pension Commitments

The Principal Civil Service Pension Scheme (**PCS**) is an unfunded multi-employer defined benefit scheme but Natural England is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the **Cabinet Office**: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2006/2007 employers' contributions of £12.728m were payable to the **PCS** (2005/2006 £12.207m) at one of the four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they accrue, not the costs as they are actually incurred and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £37.3k were paid to one or more of a panel of four appointed stakeholder pension providers (2005/2006 £45.6k). Employer contributions are age-related and range from 3% to 12.5% of pensionable pay.

Contributions due to the partnership pension providers at the balance sheet date were £6,440 (£19,472 2005/2006). Contributions prepaid at that date were nil.

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

Civil Service Pensions

Pension benefits are provided through the Civil Service Pension (CSP) arrangements. From 1 October 2002, civil servants may be in one of three statutory, final salary-based, defined benefit schemes (classic, premium and classic plus). The schemes are unfunded with the cost of benefits met by funds voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality, money-purchase stakeholder arrangement with a significant employer contribution (a partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of $1/80^{\text{th}}$ of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of $1/60^{\text{th}}$ of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum but members may give up (commute) some of their pension to provide a lump sum. Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement).

Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk

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

The Chair of Natural England's Board, Sir Martin Doughty and the Deputy Chair, Poul Christensen, are prohibited from joining the PCSPS and are included in a separate scheme set up by Defra which is described as "by analogy to the main scheme".

An actuarial valuation has been carried out by the Government Actuary Department. The major assumptions used by the actuary were:

	2006/2007	2005/2006 Restated
Rate of increase in salary	4.30%	4.00%
Rate of increase in pension payment and deferred pensions	2.75%	2.50%
Rate used to discount scheme liabilities	4.60%	5.40%
Inflation assumption	2.75%	2.50%
	£000	£000
Present value of scheme liabilities	224	118
Analysis of amount charged to operating profit		
	2006/2007	
	£000	
Gross Current Service Cost	23	
Interest on pension liabilities	7	
	<u>30</u>	
Analysis of amount recognised in the Statement of Recognised Gains and Losses		
	2006/2007	
	£000	
Experience Losses	30	
Effect of changes in demographic and financial assumptions	35	
	<u>65</u>	
Movement in scheme liabilities during the year		
	2006/2007	
	£000	
Scheme liabilities at beginning of the year	118	
Movement in year:		
Current service cost	23	
Contributions	11	
Interest Cost	7	
Actuarial loss/(gain)	65	
Scheme liabilities at end of the year	<u>224</u>	

7 Other operating costs

	2006/2007 £000	2005/2006 £000 Restated
Genesis system	20,124	10,091
IBM E-nabling contract	7,074	4,846
Estates Recharges from Defra	7,068	4,503
Estates management	6,315	8,206
Staff travel and subsistence costs	4,152	4,583
Other IT system service provision	3,926	5,098
Consultancy	3,002	2,097
Staff support costs	2,548	4,010
Shared Service Recharges	2,546	2,291
International subscriptions	1,759	2,149
IT services	1,178	1,106
Printing and Stationery	907	1,512
Vehicle costs	703	681
Equipment and consumables	699	1,120
Postage	356	628
Cartographic support	352	690
NAO audit fee for the year	266	103
Other support costs	230	306
Provision for bad debts	101	0
Members' travel and subsistence	74	90
Other audit fees	19	0
NAO audit fee for prior year	8	0
Members' other support costs	6	33
Bad debts	1	4
Interest payable	0	(1)
	63,414	54,146
The above costs include:		
Operating lease rentals	711	3,271

There are unsigned Memoranda of Terms of Understanding for Natural England's occupancy of Defra's property which will commit Natural England to an estimated £11.9m of payments for five years. Other rental commitments are estimated to be £1.778m due between one and five years.

It is Natural England's responsibility to administer the major part of England's Rural Development Scheme as an agent of the Rural Paying Agency (RPA), which is a delegated paying agency. As a consequence there is around £300m of gross programme spend administered by Natural England but accounted for by Defra. These funds are administered using the Genesis system.

The Genesis system is owned by Defra who bear the risk and rewards of the asset. Although the system is not fully in use it is a core system utilised by Natural England. Natural England therefore has an operating cost as a reflection of recharges from Defra in respect of depreciation and running costs. Once the system is fully operational and Natural England has completed a due diligence review it is planned to transfer the asset at fair value to Natural England. Due to the transitional arrangements the asset is not covered by lease disclosures.

8 Programme expenditure

	2006/2007 £000	2005/2006 £000 Restated
Farm Advice	6,502	7,008
Management agreements	6,852	5,551
Science	6,748	6,474
Management agreement works reimbursed to owner/occupiers	3,658	4,595
Management agreement works	3,360	4,301
England Catchment Sensitive Farming Delivery initiative	3,449	0
Access to NNRs	3,161	3,522
Biodiversity - general	2,230	2,273
Other payments	1,997	3,372
NNRs	1,582	1,500
Biodiversity - species	1,405	1,453
Contributions to partners	1,329	1,379
Land rental	643	522
Policy	529	500
Farm & livestock costs	164	146
Purchase of heritage land	158	148
Maintenance	146	983
	43,913	43,727

9 Grants

	2006/2007 £000	2005/2006 £000 Restated
National Parks and Areas of Outstanding Natural Beauty	10,266	11,407
Aggregates Levy Sustainability Fund (ALSF)	4,209	4,632
Access and National trails	3,754	5,901
Other grants	2,287	975
Local Heritage initiative	2,034	4,969
Countdown 2010	1,833	0
Reserve enhancement Scheme	1,017	1,400
Doorstep greens	547	4,986
Walking the Way to Health	364	1,175
Biodiversity	162	21
Wildspace!	142	1,533
	26,615	36,999

£17.093m of the above grants were paid to other government bodies and £9.522m were paid to the private sector. Forward commitments on offers made and accepted on 31 March 2007 totalled £12.291m including £3.45m for National Trails, £6.824m for AONBs and £1.907m for Countdown 2010 Biodiversity Action Fund.

10 Information and publicity

	2006/2007 £000	2005/2006 £000 Restated
Information	875	2,820
Shows, events and education	721	1,107
Publications	354	527
Other	312	321
	2,262	4,775

Information and publicity costs have reduced due to the economies of scale where Natural England will have one stand at an event as opposed to the three which might have been there before. However, the economies of scale are not as great as it might appear, due to changes in the merging of the chart of accounts some items that would previously have appeared under this category now appear within other operating costs.

11.1 Intangible fixed assets

	Software Licenses £000	Share of JNCC assets £000	Total £000
Cost or valuation:			
At 1 April 2006	1,782	44	1,826
Additions	85	43	128
Disposals	(1,867)	0	(1,867)
Revaluation	0	(4)	(4)
Change in share of JNCC	0	(1)	(1)
At 31 March 2007	0	82	82
Depreciation			
At 1 April 2006	1,426	22	1,448
Charged in year	183	25	208
Disposals	(1,609)	0	(1,609)
Revaluation	0	(14)	(14)
Change in share of JNCC	0	0	0
At 31 March 2007	0	33	33
Written down values			
at 31 March 2007	0	49	49
at 31 March 2006	356	22	378
Cumulative provision for impairment			
at 31 March 2007	0	(11)	(11)
at 31 March 2006	(14)	(11)	(25)

11.2 Tangible fixed assets

	F/H Land £000	F/H Buildings £000	Improvements to leasehold £000	Plant £000	Vehicles £000	Computer equipment £000	Other equipment £000	Breeding stock £000	Share of JNCC assets	Total £000
Cost or valuation:										
At 1 April 2006	1,105	7,087	2,757	3,871	3,808	2,823	3,942	62	508	25,963
Additions	0	191	12	447	326	21	198	0	35	1,230
Disposals	0	(4,331)	(2,769)	(115)	(137)	(2,844)	(167)	0	(34)	(10,397)
Revaluation	246	272	0	40	41	0	76	(5)	(12)	658
Change in share of JNCC									(8)	(8)
At 31 March 2007	1,351	3,219	0	4,243	4,038	0	4,049	57	489	17,446
Depreciation										
At 1 April 2006	0	548	1,799	2,420	2,199	1,617	2,277	0	325	11,185
Charged in year	0	159	75	283	649	461	428	0	44	2,099
Disposals	0	(560)	(1,874)	(85)	(126)	(2,078)	(132)	0	(31)	(4,886)
Revaluation	0	0	0	22	22	0	41	0	(10)	75
Change in share of JNCC									(5)	(5)
At 31 March 2007	0	147	0	2,640	2,744	0	2,614	0	323	8,468
Written down values										
at 31 March 2007	1,351	3,072	0	1,603	1,294	0	1,435	57	166	8,978
at 31 March 2006	1,105	6,539	958	1,451	1,609	1,206	1,665	62	183	14,778
Cumulative provision for impairment										
at 31 March 2007	0	0	0	0	0	0	0	0	(9)	(9)
at 31 March 2006	0	0	0	0	(7)	(475)	(7)	0	(9)	(498)

As at 31 March 2007 Natural England had commitments under the capital programme of £120k

As at 31 March 2007 Natural England had annual commitments under operating leases as set out below:

Operating leases which expire:	Land £000	Buildings £000
Within one year	140	24
In the second to fifth year inclusive	38	57
Over five years	401	52
	<u>579</u>	<u>133</u>

In accordance with Part 1, Chapter 3 of the Natural Environment and Rural Communities Act 2006 not all of the assets and liabilities of the founding bodies were transferred to Natural England. At vesting all commercial leaseholds transferred from the founding bodies to Defra. This resulted in Natural England inheriting fixed tangible assets with a net book value of £895k less than the founding bodies. John Dower House also transferred to Defra as it is occupied by both Natural England and the Commission for Rural Communities. The reduction in tangible fixed assets caused by this transfer was £3.3m, with the residual movement in freehold buildings relating to sales to third parties. However, Defra has acknowledged that Natural England is entitled to 85% of the proceeds when it is sold, which is currently planned to be in 2009, to contribute to funding the estates rationalisation programme.

On 1 February 2007 Natural England became part of the Defra E-Nabling contract with IBM which provides computing systems and services. On this date all of the computer assets and software licences transferred to IBM. This reduced Natural England's tangible assets by £766k and its intangible assets by £258k.

11.3 Fixed Assets Non-Operational Heritage assets

As at 31 March 2007 there were 222 National Nature Reserves (NNRs) in England declared under several categories; 132 NNRs are owned by or leased by Natural England or are under Nature Reserve Agreements (NRA) and 90 NNRs are wholly or partly managed by an Approved Body. During the year Natural England declared three new NNRs.

The hectareage of the 132 NNRs under Natural England's control is as follows:

	2006/2007 Hectares	2005/2006 Hectares
NNRs owned and managed by Natural England	19,872	19,641
NNRs leased and managed by Natural England	29,774	28,266
NNRs under Nature Reserve Agreements	<u>15,117</u>	<u>14,450</u>
	<u>64,763</u>	<u>62,357</u>
90 NNRs managed wholly/partly by Approved Bodies	28,237	27,452

The following additions to Non-Operational Heritage assets were made during the year:

Description	Cost £000
Humberhead Peatlands	131
South Solway Mosses	5
Wynbunbury Moss	20
Aston Rowant	2

The NNRs have been classified as non-operational heritage assets and so no valuation has been placed upon them. We receive adequate information on NNR condition and maintenance which enables us to fulfil our stewardship role of the NNRs. It is not our intention to dispose of these assets in the foreseeable future, given their importance to natural heritage. In accordance with Treasury guidance we consider that obtaining a valuation of these assets is not warranted in terms of the benefits which the valuation would deliver. This policy will be kept under review for future years.

12 Notional costs

	2006/2007 £000	2005/2006 £000 Restated
Shared Conservation	8	10
Cost of capital	<u>(102)</u>	<u>(93)</u>
	<u>(94)</u>	<u>(83)</u>

13.1 Debtors due after one year

	2006/2007 £000	2005/2006 £000 Restated
Accrued income	251	268
Housing loans to staff	79	119
Loans	0	700
	<u>330</u>	<u>1,087</u>

As at 31 March 2007, loans over £2,500 outstanding to staff both due within one year and after one year amounted to £85,212 (£134,574 at 31 March 2006). The numbers of staff in receipt of loans over £2,500 outstanding at 31 March 2007 were:

	No of Staff
£2,500 to £5,000	12
£5,001 to £10,000	5

None of the Executive Directors had any loans outstanding at 31 March 2007.

13.2 Debtors and prepayments

	2006/2007 £000	2005/2006 £000 Restated
Accrued income	2,204	4,647
Trade debtors	1,327	1,395
Shared conservation	598	1,008
Other debtors	588	312
VAT receivable	58	0
Prepayments	53	2,346
	<u>4,828</u>	<u>9,708</u>

14 Stocks

	2006/2007 £000	2005/2006 £000 Restated
Farm stocks	56	46
Publications - share of JNCC stock	44	51
Other stock	0	14
Publications	0	18
	<u>100</u>	<u>129</u>

15 Short term investments

	2006/2007 £000	2005/2006 £000 Restated
Balance as at 1 April	149	172
Bequests received	0	53
Interest received	7	7
Amounts spent on NNRs	0	(83)
Balance as at 31 March	<u>156</u>	<u>149</u>

Short term investments relate to bequest funds held in business premium accounts with a commercial bank.

16 Cash at bank and in hand

	2006/2007 £000	2005/2006 £000 Restated
Balances held in Paymaster General Accounts	18,793	3,074
Balances held in commercial Accounts	1,964	8,263
JNCC balances	244	18
	<u>21,001</u>	<u>11,355</u>

Natural England holds all surplus funds in a Paymaster General Office account. This account does not pay interest. Funds held relating to bequests and externally funded projects, which have such a requirement, are held in interest bearing deposit accounts. No other investments are made and so there is no exposure to interest rate risk.

Natural England minimises exchange rate risk on European Union funded projects by identifying in the Memorandum of Agreement for the projects 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.

17 Current Liabilities

	2006/2007 £000	2005/2006 £000 Restated
Trade creditors	9,972	6,972
Accruals	22,370	20,657
Defra	21,479	0
Taxation and Social Security	1,662	0
Deferred income	961	2,947
Shared Conservation	859	1,027
Other creditors	361	1,747
Deferred Aggregates Levy Sustainability Fund income	335	243
VAT creditor	2	49
	<u>58,001</u>	<u>33,642</u>

18.1 Deferred EU Revenue Grant

	2006/2007 £000	2005/2006 £000 Restated
Balance brought forward at 1 April	450	331
Interest receivable	6	19
Revenue grant received in the year	97	353
	<u>553</u>	<u>703</u>
Transferred to Natural England income	(209)	(253)
Balance at 31 March	<u>344</u>	<u>450</u>

18.2 Deferred EU Capital Grant

	2006/2007 £000	2005/2006 £000 Restated
Balance brought forward at 1 April	9	13
Transfer to Operating Cost Statement to cover depreciation for the year	(5)	(4)
Balance at 31 March	<u>4</u>	<u>9</u>

19 Early retirement provision

	2006/2007 £000	2005/2006 £000 Restated
Balance brought forward at 1 April	1,868	718
Provided in the year for pension costs due after 31 March	27	1,867
Provision utilised in the year	(818)	(717)
Transferred to Defra at vesting	(270)	0
Balance at 31 March	<u>807</u>	<u>1,868</u>

This provision represents the liability for pension payments from the date of early retirement until normal retirement date for employees retiring early on or after 1 September 2002. The liabilities for pensioners who retired early prior to this date were taken over by the Principal Civil Service Pension Scheme on 1 September 2002.

20 Restructuring provision

	2006/2007 £000	2005/2006 £000 Restated
Balance brought forward at 1 April	735	0
Provided in the year	0	735
Restructuring costs paid	(735)	0
Balance at 31 March	<u>0</u>	<u>735</u>

21 Redundancy provision

	2006/2007 £000	2005/2006 £000 Restated
Balance brought forward at 1 April	1,108	2,748
Provided in the year	388	677
Provision released in the year	0	(246)
Provision utilised in the year	(249)	(2,071)
Transferred to Defra at vesting	(1,247)	0
Balance at 31 March	<u>0</u>	<u>1,108</u>

22 Provision for pension costs

	2006/2007 £000	2005/2006 £000 Restated
Balance brought forward at 1 April	2,317	1,787
Provision for year	11	100
Actuarial adjustment	140	420
Change in share of JNCC pension provision	1	1
Pensions paid	0	9
Transferred to Defra at vesting	<u>(2,243)</u>	<u>0</u>
Balance at 31 March	<u>226</u>	<u>2,317</u>

This provision represents future liabilities under separate pension schemes described as "by analogy to the main scheme" which has been set up by Defra for Sir Martin Doughty, Chair and Poul Christensen, Deputy Chair. See note 6.4. The 2005/2006 provision also includes former directors of the Rural Community Councils and ex-chairmen of the Countryside Agency. These provisions transferred to Defra at vesting. Included within the provision is a balance of £2k relating to Natural England's share of the provision for pension costs held within JNCC.

23 Revaluation Reserve

	2006/2007 £000	2005/2006 £000 Restated
Balance brought forward at 1 April	1,048	537
Revaluations in year	560	(606)
Quinquennial revaluation of freehold property	0	1,117
Assets disposed of in year	<u>(926)</u>	<u>0</u>
Balance at 31 March	<u>682</u>	<u>1,048</u>

24 Revenue Reserve

	2006/2007 £000	2005/2006 £000 Restated
Balance brought forward at 1 April	(3,593)	(3,413)
Grant in Aid Received		
Grant In Aid received from Defra - English Nature	33,401	71,266
Grant In Aid received from Defra - ALSF	4,934	3,501
Grant In Aid received from Defra - Countryside Agency	28,906	58,593
Grant In Aid received from Defra - RDS	45,659	80,527
Grant In Aid received from Defra - JNCC	3,844	3,602
Grant In Aid received from Defra - Natural England	88,000	0
Total Grant in Aid Received	<u>204,744</u>	<u>217,489</u>
Less Aggregates Levy Sustainability Grant Deferred	<u>(335)</u>	<u>(243)</u>
Grant In Aid credited to reserves	204,409	217,246
Other Government Grants		
Public Grants for NNR Management	31	39
Forestry Commission	<u>0</u>	<u>33</u>
	31	72
Release from donated asset reserve	4	4
Land asset re-classified as non-operational heritage asset	0	(84)
Release of revaluation on assets disposed in year	926	0
Transferred to Defra at vesting	(2,594)	0
Net cost for the financial year	<u>(223,809)</u>	<u>(217,417)</u>
Change in share of JNCC	4	(1)
Balance as at 31 March	<u>(24,622)</u>	<u>(3,593)</u>

2005/2006 Figures have been restated to remove the debtors brought forward and carried forward to show the comparatives in line with the new accounting policy on Grant In Aid.

25 Note 1 to the Cash flow statement

Reconciliation of net cost to net cash flow from operating activities

	2006/2007 £000	2005/2006 £000 Restated
Net operating cost of activities	(223,283)	(218,126)
Increase in creditors net of fixed asset creditor	22,813	(3,343)
Decrease in debtors net of interest debtor	5,602	1,703
Net transfer to early retirement provision	(791)	1,150
Depreciation charge	2,301	2,392
Decrease in stocks	30	46
Transfer to pension provision	151	529
Notional costs	8	10
Decrease in investments (including JNCC)	4	(1)
Impairment of asset values	0	308
Release from deferred EU grants	(210)	(253)
Increase/(Decrease) in redundancy provision	139	(1,640)
Transferred to Defra at vesting	(2,186)	0
Net transfer (from)/to restructuring provision	(734)	736
Cash paid for NNR purchase	0	83
Net cash outflow from operating activities	<u>(196,156)</u>	<u>(216,406)</u>

26 Note 2 to the Cash flow statement

Reconciliation of net cash flow to movement in net funds

	2006/2007 £000	2005/2006 £000 Restated
Increase in cash in the period	9,646	457
Change in net funds	<u>9,646</u>	<u>457</u>
Net funds at 1 April 2006	11,355	10,898
Net funds at 31 March 2007	<u>21,001</u>	<u>11,355</u>

27 Contingent liabilities

There are currently three legal cases which are outstanding. The first case relates to a member of the public who was injured by livestock on a National Nature Reserve. It is not possible to predict the outcome or to estimate the potential liability. The second case is a challenge to the confirmation of a SSSI by English Nature; again it is not possible to predict the likely outcome. The potential liability if the case is ruled against Natural England will be Natural England's legal costs and those of the challenger, as these are accruing as the case progresses it is not possible to estimate the total potential liability. The final case is one brought by Natural England against a SSSI owner occupier; although the outcome cannot be predicted at this stage, the limit of Natural England's liability will be legal costs for both parties which cannot be predicted at this point in time.

The European Commission had questioned the regularity of management agreement payments as they had not been notified to the Commission for approval as State Aid. This issue was common to such payments made by all the UK's statutory conservation agencies.

Written approval from DG Agriculture has been given for all new management agreements since 1 January 2000. Although the issue of non-notification for agreements entered into prior to 1 January 2000 has not yet been settled, it is thought unlikely that any financial penalties will be levied.

28 Contingent assets

The freehold asset of John Dower House was transferred to Defra on vesting, 1 October 2006. However, Defra has agreed that 85% of any future sale proceeds will be made available to Natural England to contribute to financing their estates rationalisation programme. This disposal is currently planned to take place in 2009.

Legal case costs awarded but not yet received from Fisher vs English Nature of £160k and Gregory vs Natural England of £2.5k are due to Natural England.

29 Losses and special payments

During the year, 18 losses were identified totalling £18,231 (59 totalling £26,422 in 2005/2006). There were 2 special payments this year totalling £500 (2 valued at £2,000 in 2005/2006).

30 Post balance sheet events

These accounts were authorised for issue on 8 October 2007 when they were transmitted to the Secretary of State for laying before Parliament in accordance with Paragraph 24 of Schedule 1 to the Natural Environment and Rural Communities Act 2006.

31 Intra-Government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
Balances with other central government bodies	1,169	0	791	0
Balances with local authorities	62	0	1,308	0
Total at 31 March 2007	1,231	0	2,099	0
Balances with other central government bodies	8,475	268	409	0
Balances with local authorities	280	0	11,495	0
Total at 31 March 2006	8,755	268	11,904	0

There were no balances outstanding with public corporations or NHS trusts in either 2006/2007 or 2005/2006. This analysis represents a disclosure of the intra-government balances included within debtors and creditors in the balance sheet.

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 and its founding bodies have 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; Countryside Agency, 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:

Transactions between Natural England and Related Bodies for the period 1 October 2006 to 31 March 2007

Member / Senior Staff	Corporate related body	Payable (Amount Owed by Natural England at 31/03/07) £000	Receivable (Amount Owed to Natural England at 31/03/07) £000	Nature of transactions
M Appleby	Wildlife Trust for Beds, Cambs, Northants & Peterborough	139 (-)		Goods and services
L Crowe	Forestry Commission	172 (-)	43 (-)	Goods and services
M Denton-Thompson	Learning through Landscapes Trust	7 (-)		Goods and services
A Hams	Peak District National Park Authority	229 (-)	4 (-)	Goods and services
D Hulyer	Surrey Wildlife Trust	25 (-)		Goods and services
D MacDonald	Wildfowl and Wetlands Trust	18 (-)		Goods and services
C Pennell	Peak District National Park Authority	229 (-)	4 (-)	Goods and services
G Sansome	H P Sansome	3 (-)		Goods and services
J Smyllie	Telos Partners Ltd	110 (-)		Goods and services

Transactions between Rural Development Service and Related Bodies for the period 1 April 2006 to 30 September 2006

No reportable transactions were identified.

Transactions between the Countryside Agency and Related Bodies
for the period 1 April 2006 to 30 September 2006

Member / Senior Staff	Corporate related body	Payable (Amount Owed by the Countryside Agency at 30/09/06) £000	Receivable (Amount Owed to the Countryside Agency at 30/09/06) £000	Nature of transactions
Alison McLean	Shropshire County Council	179 (-)		Grants
John Varley	National Trust	37 (-)		Grants
	The RSPB	331 (-)		Grants
Kate Ashbrook	The Council for National Parks	24 (-)		Grants
	Wildlife and Countryside Link	10 (-)		Grants
Michael Winter	University of Exeter	34 (-)		Goods and services
Philip Lowe and Mark Shucksmith	University of Newcastle-Upon-Tyne	39 (-)		Goods and services
Philip Lowe	English Nature	111 (-)	85 (-)	Goods and services
Tayo Adebawale	English Heritage	5 (-)		Grants
	Environment Agency	3 (-)		Goods and services
	The Tomorrow Project	10 (-)		Goods and services
Anthony Hams	Association of National Park Authorities	1 (-)		Grants
	Forestry Commission	25 (-)	38 (-)	Goods and services
	Peak District National Park Authority	112 (-)	9 (4)	Goods and services

Transactions between English Nature and Related Bodies
for the period 1 April 2006 to 30 September 2006

Individual staff/ Council member	Corporate related body	Payable (Amount Owed by English Nature at 30/09/06) £000	Receivable (Amount Owed to English Nature at 30/09/06) £000	Nature of transactions
Mrs A Powell, Trustee	Ponds Conservation Trust	4 (-)		Grants
Dr A E Brown, Vice Chair	NBN Trust	76 (-)	16 (-)	Goods and services
Mr D Hulyer, Director of Conservation	Wildfowl and Wetlands Trust	9 (-)		Goods and services
Mr C Pennell	Peak District National Park Authority	418 (-)		Goods and services
Mr H van Cutsem	HE & EEL van Cutsem	11 (-)		Grants

33 Founding Body Results Consolidated into Natural England Primary Statements

Operating Cost Statement

for the six months ended 30 September 2006 and the year ended 31 March 2007

	Countryside Agency	English Nature	Rural Development Service	Total at 30 September 2006	Natural England	Total at 31 March 2007
	£000	£000	£000	£000	£000	£000
Gross income						
Shared Conservation Income	0	0	0	0	1,091	1,091
Income from activities	2,657	2,175	0	4,832	593	5,425
Other government and EU grants	0	874	0	874	1,218	2,092
Other operating income	781	262	154	1,197	153	1,350
Transfer from deferred EU capital grant account	0	4	0	4	1	5
	3,438	3,315	154	6,907	3,056	9,963
Expenditure						
Staff costs	8,168	16,201	21,707	46,076	43,686	89,762
Programme expenditure	3,850	10,169	2,902	16,921	26,992	43,913
Administration Expenses	6,251	6,162	17,874	30,287	33,127	63,414
Grants	9,227	1,686	0	10,913	15,702	26,615
Shared conservation expenditure	0	0	0	0	4,979	4,979
Information and publicity	712	580	134	1,426	836	2,262
Depreciation	93	1,044	160	1,297	1,004	2,301
Impairment of asset values	0	0	0	0	0	0
	28,301	35,842	42,777	106,920	126,326	233,246
Net operating cost of activities	(24,863)	(32,527)	(42,623)	(100,013)	(123,270)	(223,283)
Profit/(Loss) on sale of fixed assets	(26)	3	0	(23)	(846)	(869)
Interest received and similar income	137	123	0	260	75	335
Notional cost of capital	(98)	394	(360)	(64)	166	102
Net cost of ordinary activities	(24,850)	(32,007)	(42,983)	(99,840)	(123,875)	(223,715)
Add back notional costs	98	(394)	360	64	(158)	(94)
Net cost for the period	(24,752)	(32,401)	(42,623)	(99,776)	(124,033)	(223,809)

All income and expenditure was derived from continuing operations. There have been no material acquisitions or disposals in the period.

All recognised gains and losses in addition to those included in the Operating Cost Statement above relate to Natural England after vesting and appear in the Statement of Recognised Gains and Losses on page 63.

Balance Sheet as at 30 September 2006 and 31 March 2007

	Countryside Agency	English Nature	Rural Development Service	Total at 30 Sept 2006	Natural England	Total at 31 March 2007
	£000	£000	£000	£000	£000	£000
Fixed assets						
Intangible assets	0	171	41	212	(163)	49
Tangible assets	3,685	9,225	960	13,870	(4,892)	8,978
	<u>3,685</u>	<u>9,396</u>	<u>1,001</u>	<u>14,082</u>	<u>(5,055)</u>	<u>9,027</u>
Debtors falling due after 1 year	1,094	0	0	1,094	(764)	330
Current assets						
Stocks	10	111	0	121	(21)	100
Debtors: falling due within 1 year	5,945	3,588	308	9,841	(5,013)	4,828
Short term investments	0	152	0	152	4	156
Cash at bank and in hand	2,229	3,508	0	5,737	15,264	21,001
	<u>8,184</u>	<u>7,359</u>	<u>308</u>	<u>15,851</u>	<u>10,234</u>	<u>26,085</u>
Current liabilities:						
Amounts falling due within 1 year	(10,336)	(1,501)	(2,189)	(14,026)	(43,975)	(58,001)
Deferred EU grant	0	(4)	0	(4)	(344)	(348)
	<u>(10,336)</u>	<u>(1,505)</u>	<u>(2,189)</u>	<u>(14,030)</u>	<u>(44,319)</u>	<u>(58,349)</u>
Net current liabilities	(2,152)	5,854	(1,881)	1,821	(34,085)	(32,264)
Total assets less current liabilities	<u>2,627</u>	<u>15,250</u>	<u>(880)</u>	<u>16,997</u>	<u>(39,904)</u>	<u>(22,907)</u>
Provisions for liabilities and charges						
Provision for early retirement costs	(224)	(1,485)	0	(1,709)	902	(807)
Provision for redundancy costs	(1,247)	0	0	(1,247)	1,247	0
Provision for pension costs	(2,302)	(88)	0	(2,390)	2,164	(226)
	<u>(3,773)</u>	<u>(1,573)</u>	<u>0</u>	<u>(5,346)</u>	<u>4,313</u>	<u>(1,033)</u>
Total assets less all liabilities	<u>(1,146)</u>	<u>13,677</u>	<u>(880)</u>	<u>11,651</u>	<u>(35,591)</u>	<u>(23,940)</u>
Capital and reserves						
Revenue and Revaluation Reserve	(1,146)	13,677	(880)	11,651	(35,591)	(23,940)
	<u>(1,146)</u>	<u>13,677</u>	<u>(880)</u>	<u>11,651</u>	<u>(35,591)</u>	<u>(23,940)</u>

Items in 2005/2006 Results

	Countryside Agency £000	English Nature £000	Rural Development Service £000
Gross Income	13,706	7,925	398
Net cost	(57,847)	(79,063)	(80,517)

Remuneration report

This report is split into four sections which cover Natural England for the period 1 October 2006 to 31 March 2007 and the three predecessor bodies for the period 1 April 2006 to 30 September 2006.

Appointments

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

Directors are appointed on merit on the basis of fair and open competition. The Chief Executive has a three year contract from 1 October 2006 to 30 September 2009 and Executive Directors are employed under permanent contracts.

Salary

'Salary' includes gross salary; performance pay or bonuses; overtime and any other allowance to the extent that it is subject to UK taxation.

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

Benefits in Kind

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

Cash Equivalent Transfer Values (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the members' accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by the pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The real increase in the value of the CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Natural England

Remuneration Policy

Senior staff fall into three groups: Board Members, 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 consults with the Audit Committee and Chair when determining Executive Directors' remuneration packages.

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 and pension entitlements

The Natural England Chief Executive, Executive Directors and a number of Non-Executive Directors were employed by Defra up to vesting on 30 September 2006 to undertake work to set up Natural England; their salary costs are included in Defra's Annual Accounts. The salaries below are from 1 October 2006.

Natural England

Remuneration (audited information)

Board Members	Period of appointment	2006/2007	
		Salary, including performance pay	Benefits in kind (rounded to nearest £100)
		£000	£
Chair			
Sir Martin Doughty	To 30/9/2009	30-35	n/a
Members			
Peter Allen	To 30/9/2009	0-5	n/a
Melinda Appleby	To 30/9/2008	0-5	n/a
Sarah Burton	To 30/9/2009	0-5	n/a
Poul Christensen (Deputy Chair)	To 30/9/2009	15-20	n/a
Roger Clarke	To 30/9/2008	0-5	n/a
Lynn Crowe	To 30/9/2009	0-5	n/a
Merrick Denton-Thompson	To 30/9/2008	0-5	n/a
Michael Depledge	To 30/9/2009	0-5	n/a
Anthony Hams	To 30/9/2008	0-5	n/a
David Hill	To 30/9/2009	0-5	n/a
Doug Hulyer	To 30/9/2007	0-5	n/a
David Macdonald	To 30/9/2008	0-5	n/a
Christopher Pennell	To 30/9/2009	0-5	n/a
Pam Warhurst	To 30/9/2007	0-5	n/a

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

Sir Martin Doughty, Sarah Burton, Roger Clarke, Lynn Crowe, Doug Hulyer, David Macdonald and Christopher Pennell also served on the Council of English Nature and Anthony Hams and Pam Warhurst served on the Board of the Countryside Agency. Details of their remuneration and pensions relating to that period of service are included in those sections of the report.

Natural England

Executive Directors	Appointment date	2006/2007 Salary, including performance pay £000	Performance bonus %	Benefits in kind (rounded to nearest £100) £
Chief Executive				
Helen Phillips	27/02/2006 to 30/09/2009	70-75	13.5%	n/a
Executive Directors				
Adrian Belton Executive Director, Operations	27/02/2006	50-55	12%	n/a
Guy Thompson Executive Director, External Affairs	19/06/2006	40-45	12%	n/a
Dave Webster Executive Director, Corporate Services	04/09/2006	40-45	12%	n/a
David Young Executive Director, Strategy and Performance	27/02/2006	50-55	12%	n/a

A performance related bonus is included in the Chief Executive's salary and her bonus was determined by Board Members at the June 2007 Board Meeting up to a maximum of 15%. The bonuses of the other Executive Directors were determined by the Chief Executive following advice from the Audit Committee up to a maximum of 15%. The bonus for 2006/2007 paid in 2007/2008 was calculated at the percentages shown above and totalled £28,575. Pre-vesting bonuses for the Executive Directors were also paid in 2007/2008 from Natural England funds: the Chief Executive's was paid in 2006/2007.

Pension Benefits (audited information)

	Total accrued pension at age 60 at 31/03/07 and related lump sum (LS) £000	Real increase in pension and related lump sum at age 60 £000	CETV at 31/03/07 £000	CETV at 30/09/06 £000	Real increase in CETV £000	Employer contribution to partnership pension account Nearest £100
Chair						
Sir Martin Doughty	5-10 LS 0-5	2.5-5 LS 2.5-5	138	89*	38	n/a
Deputy Chair						
Poul Christensen	0-5 LS 0	0-2.5	4	0	3	n/a
Chief Executive						
Helen Phillips	0-5 LS 0	0	10	0	8	n/a
Executive Directors						
Adrian Belton	0-5 LS 5-10	0-2.5 LS 5-7.5	46	13	14	n/a
Guy Thompson	0-5 LS 0	0-2.5 LS 0	9	3	4	n/a
Dave Webster	0-5 LS 0	0-2.5 LS 0	9	1	7	n/a
David Young	0-5 LS 0	0-2.5 LS 0	18	10	7	n/a

*The Chair, has continuous service from English Nature to Natural England, the CETV is at 31 March 2006.

Countryside Agency

Remuneration (audited information)

All appointments terminated on 30 September 2006 unless otherwise stated.

Board Members	Period of appointment	2006/2007		2005/2006	
		Salary, including performance pay	Benefits in kind (rounded to nearest £100)	Salary, including performance pay	Benefits in kind (rounded to nearest £100)
		£000	£	£000	£
Chairman					
Dr. Stuart Burgess		35-40		80-85	n/a
Members					
Pam Warhurst	To June 2006	10-15	n/a	45-50	n/a
Deputy Chairman					
Dr. Tayo Adebawale		5-10	n/a	15-20	n/a
Kate Ashbrook		5-10	n/a	15-20	n/a
Professor Sheena Asthana		5-10	n/a	10-15	n/a
Richard Burge		5-10	n/a	10-15	n/a
Dr. Jim Cox		5-10	n/a	10-15	n/a
Peter Fane		10-15	n/a	15-20	n/a
Norman Glass		5-10	n/a	10-15	n/a
Anthony Hams	To May 2006	0-5	n/a	15-20	n/a
Rt. Rev. Graham James		5-10	n/a	10-15	n/a
Howard Petch		5-10	n/a	10-15	n/a
Professor Mark Shucksmith		5-10	n/a	10-15	n/a
Professor Philip Lowe		10-15	n/a	5-10	n/a
Alison McLean		5-10	n/a	10-15	n/a
John Varley		5-10	n/a	10-15	n/a
Professor Michael Winter		5-10	n/a	10-15	n/a

Countryside Agency

Directors	Period of appointment	2006/2007		2005/2006	
		Salary, including performance pay	Benefits in kind (rounded to nearest £100)	Salary, including performance pay	Benefits in kind (rounded to nearest £100)
		£000	£	£000	£
Chief Executive					
Graham Garbutt	From 1/10/2005	60-65	n/a	55-60	n/a
Directors					
Margaret Clark	Acting Chief Executive until 1/10/2005	45-50	n/a	90-95	n/a
Andrew Wood		45-50	n/a	85-90	n/a
Barbara Fletcher	From 1/6/2005	30-35	n/a	50-55	n/a
Tracey Slaven	To 31/10/2005	n/a	n/a	45-50	n/a
Tim Lunel	To 31/5/2005	n/a	n/a	15-20	n/a
Brian Wilson	To 31/10/2005	n/a	n/a	30-35	n/a
Richard Wakefield		0-5	n/a	0-5	n/a

Pension Benefits (audited information)

	Total accrued pension at age 60 at 30/09/06 and related lump sum (LS)	Real increase in pension and related lump sum at age 60	CETV at 30/09/06	CETV at 31/03/06	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Graham Garbutt	45-50 LS 145-150	0-2.5 LS 0-2.5	1,175	1,119	12	n/a
Margaret Clark	40-45 LS 130-135	0-2.5 LS 0-2.5	1,081	1,038	(5)	n/a
Andrew Wood	0-5 LS 0-5	0-2.5 LS 0-2.5	52	41	9	n/a
Barbara Fletcher	5-10 LS 0-5	0-2.5 LS 0-2.5	117	100	13	n/a

English Nature

Remuneration (audited information)

All appointments terminated on 30 September 2006 unless otherwise stated.

Council	Period of appointment	2006/2007		2005/2006	
		Salary, including performance pay	Benefits in kind (rounded to nearest £100)	Salary, including performance pay	Benefits in kind (rounded to nearest £100)
		£000	£	£000	£
Chair					
Sir Martin Doughty	To 20/11/2005	n/a	n/a	45-50	n/a
Dr M Moser*	From 21/11/2005	25-30	n/a	45-50	n/a
Council Members:					
Ms S Burton	To 01/05/2006	0-5	n/a	5-10	n/a
Dr R Clarke	To 01/05/2006	0-5	n/a	10-15	n/a
Mrs L Crowe	To 01/05/2006	0-5	n/a	5-10	n/a
Ms S L Fowler OBE		5-10	n/a	10-15	n/a
Prof E P Gallagher CBE		5-10	n/a	10-15	n/a
Mr S Hockman QC		5-10	n/a	10-15	n/a
Mr D Hulyer		5-10	n/a	10-15	n/a
Prof M Hart		0-5	n/a	5-10	n/a
Prof D Macdonald		0-5	n/a	10-15	n/a
Mr C Pennell		5-10	n/a	5-10	n/a
Dr A Powell OBE		0-5	n/a	5-10	n/a
Mr H van Cutsem		5-10	n/a	10-15	n/a

* Dr Moser was a Member of the Council until 27 May 2004 when he became Deputy Chair. Dr Moser was appointed Acting Chair of the Council on 21 November 2005 .

Senior Staff	Period of appointment	2006/2007		2005/2006	
		Salary, including performance pay	Benefits in kind (rounded to nearest £100)	Salary, including performance pay	Benefits in kind (rounded to nearest £100)
		£000	£	£000	£
Chief Executive					
Dr A E Brown		65-70	n/a	105-110	n/a
Directors:					
Mrs S Collins		35-40	n/a	75-80	n/a
Dr K L Duff		35-40	n/a	65-70	n/a
Mr P Newby		30-35	n/a	55-60	n/a
Dr Tom Tew	From 27/02/2006	30-35	n/a	5-10	n/a
Ms C Wood		40-45	n/a	75-80	n/a

English Nature

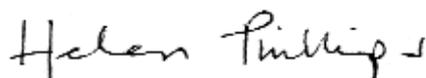
Pension Benefits (audited information)

Council	Total accrued pension at age 60 at 30/09/06 and related lump sum (LS)	Real increase in pension and related lump sum at age 60	CETV at 30/09/06	CETV at 31/03/06	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Chair						
Sir Martin Doughty	n/a	n/a	n/a	148	n/a	n/a
Dr M Moser	n/a	n/a	n/a	n/a	n/a	4,459
Chief Executive						
Dr A E Brown	40-45 LS 105-110	12.5-15 LS 33-37.5	n/a	541	62	n/a
Directors:						
Ms C Wood	35-40 LS 95-100	5-7.5 LS 20-22.5	n/a	540	31	n/a
Mrs S Collins	30-35 LS 105-110	0-2.5 LS 2.5-5	n/a	527	24	n/a
Dr K L Duff	30-35 LS 90-95	2.5-5 LS 7.5-10	n/a	609	23	n/a
Mr P Newby	0-5 LS 0	0-2.5 LS 0	28	23	5	n/a
Dr T Tew	10-15 LS 30-35	0-2.5 LS 2.5-5	143	140	3	n/a

Dr Brown, Ms Wood, Mrs Collins and Dr Duff retired on 30 September 2006. The amounts disclosed above for the Chief Executive and these Directors therefore reflect actual payments made.

Rural Development Service

The Rural development Service was a division of Defra and did not have a separate Board of Directors. As a result the RDS Management Board costs are reported as part of the 2006/2007 Defra Accounts. No Management Board Members of Defra transferred to Natural England.



Dr Helen Phillips
Accounting Officer and Chief Executive

2 October 2007

Board Members

This is a summary of Board Members' Interests for 2006/2007

Selective provisions of the Natural Environment and Rural Communities Act 2006 were activated under Statutory Instrument 2006 Number 1176(C.40) Natural Environment England & Wales, Natural Environment Northern Ireland, Rights of Way England. The Instrument established a pre-cursor body from 2 May 2006 which is why some board members took up their positions prior to 1 October 2006.

Sir Martin Doughty: (Chair)

Date appointed: 2 October 2006

Appointed until: 30 September 2009

Chair, Torr Vale Mill BP Trust; Vice President, Arkwright Society; Patron, IEEM; Patron, Creswell Heritage Trust; National Forest Ambassador; Member, BBC Rural Affairs Committee; Vice President, Peak & Northern Footpaths Society; Member, CIWEM; Fellow, RSA; Ordinary Member, RSPB; Ordinary Member, National Trust; Chair, New Mills Heritage Centre Management Committee; Elected Member, New Mills Town Council; Member, Labour Party; Candidate for New Mills Town Council, 2003; Chair, Labour Party Local Branch.

Mr Poul Christensen: (Deputy Chair)

Date appointed: 2 May 2006

Appointed until: 30 September 2009

Partner – Kingston Hill Farm, Kingston Bagpuize, Abingdon, Oxon. Director – Agricultural Central Trading (ACT), 90 The Broadway, Chesham, Bucks; Board Member – South East England Regional Development Agency. Chairman – Defra Sustainable Livestock Programme LINK committee

Mr Peter Allen: Farmer

Date appointed: 2 May 2006

Appointed until: 30 September 2009

Self Employed Farmer; Chairman Responsible use of Medicines Alliance; Member NOAH Code of Practice Committee; Chairman EU Sheep Advisory Committee; Chairman of North Regional Board NFU Mutual; Member of North West REPAC; Member of the Standing Conference for Country Sports.

Ms Melinda Appleby: Agriculture and Environment Consultant

Date appointed: 2 May 2006

Appointed until: 30 September 2008

Trustee of the Wildlife Trust for Beds, Cambs, Northants & Peterborough (unremunerated) 2005-2008; Eastern Regional Committee member of the Consumer Council for Water (remunerated) 2005-2009; Self-employed adviser in rural policy and sustainable land management; Nominated member of the Council of the Royal Agricultural Society for England (non-remunerated); Member of LEAF's nominated Strategic Development and Policy Committee (unremunerated); Subscribing member of NFU Countryside; CLA, The Farmers' Club.

Ms Sarah Burton: Legal Consultant

Date appointed: 2 May 2006

Appointed until: 30 September 2009

Canonbury Villas Limited (Director); Laser Kilns Limited (Director); Greenpeace Environmental Trust (Trustee). Campaign Programme Director, Amnesty International;

Dr Roger Clarke: Landscape and Rural Business Advisor

Date appointed: 2 May 2006

Appointed until: 30 September 2008

Director of YHA [England and Wales] Ltd; YHA Trading Ltd; European Union Federation of Youth Hostel Associations; Member of Governance Commission, Association of Chief Executives of Voluntary Organisations.

Mrs Lynn Crowe: Lecturer in countryside management

Date appointed: 2 May 2006

Appointed until: 30 September 2009

Principal Lecturer, Sheffield Hallam University, City Campus, Sheffield, S1 1WB. Chair, Social Science Research Advisory Group, Forestry Commission. Ordinary membership of the Royal Society for the Protection of Birds. Ordinary membership of the Campaign for the Protection of Rural England.

Mr Merrick Denton-Thompson: Rural Advisor

Date appointed: 2 May 2006

Appointed until: 30 September 2008

Trustee of the Learning Through Landscapes Trust. Trustee of Marwell Zoo. Trustee of A Place2Be. Member of Landscape Institute

Professor Michael Depledge: Lecturer in Environment and Human Health

Date appointed: 2 May 2006

Appointed until: 30 September 2009

Chair of Environment & Human Health Peninsula Medical School Devon; Senior Science Adviser Plymouth Marine Laboratory, Devon; Royal Commission on Environmental Pollution RCEP, London

Mr Anthony Hams: Sustainable Development

Date appointed: 2 June 2006

Appointed until: 30 September 2008

Chair Peak District National Park Authority, Chair East Midlands Heritage Lottery Fund; Chair Association of UK National Parks Authorities; Member East Midlands Regional Sports Board

Professor David Hill: Ecological Consultant

Date appointed: 2 May 2006

Appointed until: 30 September 2009

Non Executive Director Thomson Ecology. Chairman of the Environment Bank Ltd. Director of Yorkshire Dales Rivers Trust. Director of the JNCC Company, Chief Executive, David Hill Ecology & Environment.

Mr Doug Hulyer: Ecotourism

Date appointed: 2 May 2006

Appointed until: 30 September 2007

Trustee – National Heritage Memorial Fund/Heritage Lottery Fund (Part/time from September 2006). Council Member – English Nature (to 30 September 2006). Member of Great Fen Project Foundation. Independent consultant (sole trader): environmental/heritage communications and learning. Chair – Wetland Vision Project (joint initiative between Natural England, Environment Agency, RSPB and Wildlife Trusts). Member of Gloucestershire Wildlife Trust; Surrey Wildlife Trust (Vice-President); National Trust; English Heritage; Wildfowl & Wetland Trust; Council for Environmental Education (Executive Board member); Freshwater Biological Association; Institute of Biology; Chartered Institute of Water and Environmental Management (CIWEM); Institute of Directors

Professor David Macdonald: Mammal Biologist

Date appointed: 2 May 2006

Appointed until: 30 September 2008

Non Exec Director of The Nature Bureau. Director of Oxford Stress Diagnostics. Director of Oxford Medi-Stress. Senior Research Fellow, Lady Margaret Hall, Oxford. Director, Wildlife Conservation Research Unit, Oxford. Council of English Nature (to 30 September 2006). Board of Wildfowl and Wetlands Trust. Chairman, Darwin Advisory Committee, Defra.

Mr Christopher Pennell: Formerly Regional Director, National Trust

Date appointed: 2 May 2006

Appointed until: 30 September 2009

Secretary of State-nominated Member of the Peak District National Park Authority from 1 April 2006 and Vice-Chair of its Services Committee. Member of the East Midlands Regional Committee of the Heritage Lottery Fund w.e.f. 1 April 2006. Retired from fulltime remunerated employment in Spring 2005 (ex-National Trust Director in the East Midlands Region). Ordinary membership of Friends of the Peak District – also a Peak District Guardian – CPRE, the National Trust, English Heritage, Sheffield Wildlife Trust, Friends of Sheffield Botanical Gardens, Friends of Sheffield Museums and Galleries. Chairman of the Countryside Awards Panel of CPRE (Peak District and South Yorkshire); Member, Liberal Democrat Party; Council Member – English Nature (to 30 September 2006).

Dr Helen Phillips: Chief Executive, Natural England

Date appointed: 2 May 2006

Appointed until: 30 September 2009

Member of Institute of Directors; Royal Society for the encouragement of Arts, Manufactures & Commerce.

Ms Pam Warhurst: Environment

Date appointed: 2 May 2006

Appointed until: 30 September 2007

Director – Bear Café; Director H&P Properties Ltd; Chair Bear Healthfood Coop; Chair - Pennine Prospects, Rural Regeneration Company; Board Member Plunkett Foundations Rural Review Board; National Trust Member; Fellow Royal Society for Arts & Manufacturing.

The following were Board Members of the Countryside Agency until 30 September 2006; however, they did not become part of Natural England's Board:

Dr Tayo Adebawale:

English Heritage, Environment Agency, Tomorrow Programme, WS Atkins, Member of Council for Forestry Commission.

Kate Ashbrook:

Member of Council for National Parks. Wildlife and Countryside Link.

Peter Fane: Chartered Surveyor

No interests to declare.

Professor Michael Winter: Lecturer

Lecturer at Exeter University.

The following were Council Members of English Nature until 30 September 2006; however, they did not become part of Natural England's Board:

Ms Sarah Fowler: Marine Ecologist

Director of the Naturebureau International (Nature Conservation Bureau Ltd – registered name). Pew Fellow in marine Conservation 2005-2008 (The Pew Institute for Ocean Science, USA). Trustee of the Shark Trust. Secretary of the European Elasmobranch Association. Co-chair of IUCN/SSC Shark Specialist Group. Member of Marine Stewardship Council's Stakeholder Council.

Professor Ed Gallagher: Chartered Engineer

Chairman of Envirofresh Ltd. Non-Executive Director of ECUS Ltd. Civil Service Commissioner. Chair of Energywatch. Chair of Envision. Chair of Pesticides Forum. Vice President Council for Environmental Education. Chair of CSERGE Advisory Board. Patron of Environmental Industries Commission. Member of Royal Institution, National Trust and English Heritage. Friend of Kew Gardens. Freeman of the City of London – Livery Company of Water Conservators.

Professor Malcolm Hart: Geologist

Professor of Micropalaeontology, University of Plymouth. Fellow of Geological Society (FGS). Member of Palaeontology Association. Member of Micropalaeontological Society. Member of Science and Conservation Advisory Group of Dorset/East Devon World Heritage Site. Member of Ussher Society. Fellow of Society for Sedimentary Geology. Fellow of Cushman Foundation for Foraminiferal Research. Member on Editorial Board of Palaentologische Zeitschrift. President of European Palaeontological Association.

Mr Stephen Hockman: Barrister at Law (Queens Council)

Self-employed Barrister (QC). Recorder and Deputy High Court Judge. Chairman of the General Council of the Bar of England & Wales. Editor in Chief of Blackstone's Planning Practice Trustee of Environmental Law Foundation.

Dr Mike Moser: Wetlands Specialist

Council Member of Royal Society for the Protection of Birds. Board Member of Tour Du Valat Foundation (France). Councillor of Honour Wetlands International. Member of the British Trust for Ornithology, Royal Society for Protection of Birds, Devon Wildlife Trust, Wader study Group.

Dr Anne Powell: Freshwater Ecologist

Manager of FreshwaterLife Project. Occasional consultant to Government of Isle of Man, Reader's Digest, Environment Agency Habitats Survey Board. Unpaid Director and Trustee, Ponds Conservation Trust. Trustee of Thames Salmon Trust, Cumbria Wildlife Trust and Berks, Bucks and Oxon Wildlife Trust. Unpaid Director of Ponds Conservation Trust, Policy and Research Ltd. Member of Freshwater Biological Association. Member of Regional Fisheries Ecology Recreation Advisory Committee, Environment Agency (North West). Member of Institute of Biology. Member of Conservation Panel of the National Trust.

Mr Hugh van Cutsem: Farmer/Business Manager

Director of James Purdey & Sons Ltd, Gunmakers. Council Member and Member of the Executive Committee of the National Trust. Chairman of Country Land and Business Association, Norfolk, Branch. Chairman of Ecospray. Chairman of Agrifutura. Vice President of Game Conservancy. President of South West Norfolk Conservative Association.

Published by TSO (The Stationery Office) and available from:

Online

www.tsoshop.co.uk

Mail, Telephone, Fax & E-mail

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries: 0870 600 5522

Fax orders: 0870 600 5533

E-mail: customer.services@tso.co.uk

Textphone 0870 240 3701

TSO Shops

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

TSO@Blackwell and other Accredited Agents

ISBN 978-0-10-294662-8



9 780102 946628