

Natural England Annual Report and Accounts

1 April 2013 to 31 March 2014

www.naturalengland.org.uk



Natural England

Annual Report and Accounts

1 April 2013 to 31 March 2014

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Foreword

The completion of the Triennial Review at the beginning of this year provided Natural England with a clear and renewed mandate to conserve and enhance the natural environment. This has enabled us to deliver with renewed vigour and enthusiasm this year against a challenging backdrop of resource constraints. The Triennial Review also underlined the need for Natural England and the Environment Agency to work closely together to deliver a better experience for our customers; more for people and the environment; and even better value for money. We have agreed and are now working to a joint Action Plan with the Environment Agency to deliver against these aims.

The way that the organisation has delivered despite these pressures demonstrates the skill and expertise of our staff and the robustness of the business processes that we have put in place.

It also demonstrates the commitment of the conservation sector. Partnerships are at the heart of any delivery successes and this year we've enjoyed fruitful working relationships with a wealth of partners big and small, national and local. With partners we've successfully helped some of England's most threatened wildlife to recover; we've restored or maintained 552,625 hectares of priority habitats and created 2,500 hectares of new ones.

We continue to be an evidence based organisation and have strengthened our scientific capacity. We have expanded our Science Advisory Committee, recruiting six new external scientists to provide scrutiny and advice across Natural England's remit.

This year saw the designation by Defra of 27 new Marine Conservation Zones (MCZs), underpinned by advice and evidence provided by Natural England and the Joint Nature Conservation Committee (JNCC). These MCZs will safeguard a wide range of sea life and will provide greater protection for around 8,000 sq km of offshore and around 2,000 sq km of inshore waters.

In March 2014 we completed and published the last of the 159 National Character Areas (NCAs) underlining the enduring importance of England's landscapes and equipping local communities and decision makers with the facts and figures to manage and maintain them.

Our partners in business and industry have a crucial role to play. To help them deliver we've simplified our licensing and streamlined our regulatory services, making it easier for business and communities to drive sustainable growth in the economy and do the right thing for the natural environment.

We have had to make difficult decisions and in keeping with our purpose, we have been strong where the evidence supports it. For example, we have confirmed the notification of both Lodge Hill SSSI and Rampisham Down SSSI and have a clear programme for further designations.

Part of our core purpose is to make sure that people have the opportunity to enjoy the wonders of the natural world. In the last year more children have enjoyed outdoor learning events on farms and in the wider countryside. Our National Nature Reserves, often run and managed with local volunteers, continue to entice more visitors. Working with local authorities and partners we are opening up access to the coast and improving rights of way.

This year we've made significant changes in response to both the Triennial Review and feedback from partners. The changes we've made put partnership and innovation at the heart of the organisation. The formation of 14 new Area Teams will enable more rapid, more pragmatic local decision making, while national standards will provide the necessary checks and balances. These changes equip Natural England to deliver with renewed purpose and confidence in the future and will be driven forward under my new chairmanship, starting with the appointment of a new Chief Executive and new non-executive Board Members.



Andrew Sells
Chairman,
Natural England



David Webster
Chief Executive,
Natural England

19 June 2014

Annual Management Commentary

Strategic Report

About us

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

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

We are a national organisation that covers the whole of England, extending 12 nautical miles out to sea (and 200 nautical miles for advice on renewable energy impacts). On 31 March 2014 we had 2,149 permanent employees. We are formally responsible to the Secretary of State for Environment, Food and Rural Affairs, who is accountable to Parliament for our activities and performance.

Our Priorities

In 2012 we published our 2012-15 Corporate Plan which set out our plans to deliver Government’s priorities for the natural environment up to 2015. A further update to the Corporate Plan was issued in 2013/14 explaining how we were adjusting our priorities to reflect the changing operating and financial context. Additionally, we ensured that the plan fully aligned with the Secretary of State’s plan for growth, with a particular focus on providing a professional and efficient service to the businesses we work with.

Our contribution towards delivering the Government’s priorities can be divided into four complementary strategic outcomes:

- A healthy, well-functioning natural environment
- People are inspired to value and conserve the natural environment
- Sustainable use of the natural environment
- A secure environmental future

This report sets out the progress we have made in 2013/14, working alongside thousands of land owners and local partners to improve the natural environment; to facilitate high quality development that enriches people’s lives; to share our evidence and expertise; and to stimulate growth and innovation in the countryside.

Our Corporate Plan Update 2013-15 set out the 19 key performance indicators that we need to deliver to achieve our outcomes. Annex 1 describes in detail our performance against those indicators.

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

Outcome 1: A healthy, well-functioning natural environment

Our contribution

Natural England works with partners to deliver a healthy, well-functioning natural environment that underpins economic prosperity and social wellbeing. Government's priority is to ensure that our distinctive landscapes and the wildlife they support are robust and resilient. Coherent ecological networks are needed on land and at sea in order to adapt to, and accommodate, current changes and future pressures such as food security, development and climate change.

Highlights for 2013/14

- In 2013/2014, Natural England earmarked almost £1 million for its Species Recovery Programme to fund 56 conservation projects aimed at the recovery of some of our most threatened wildlife - from mammals, birds, reptiles and bees, to worms, flowering plants, mosses, lichens and fungi. The investment made through the Species Recovery Programme, which is matched by partners, provides a vital lifeline to some of our country's most threatened species.
- In July 2013 over 2,000 hectares of the Hoylake, Wallasey and Seaforth foreshores were formally recognised as an internationally important area for wildlife following the decision to designate the area as a Special Protection Area (SPA) - in recognition of its international importance for birdlife - and as a Ramsar site, in recognition of its importance as a wetland habitat.
- We have developed a new map-based modelling approach to help assess the vulnerability of priority habitats to climate change. The National Biodiversity Climate Change Vulnerability Model (NBCCVM) indicates the relative vulnerability of priority habitats in different geographical areas and helps guide interventions which can increase their resilience. The model will inform the development of national and local adaptation strategies for biodiversity, and help prioritise the actions to be taken as part of these strategies.
- In November 2013 the Natural England Board confirmed Lodge Hill in Kent as a Site of Special Scientific Interest (SSSI) for its nightingale population, special grassland and woodland. The site was combined with SSSI land at neighbouring Chattenden Woods to form Chattenden Woods and Lodge Hill SSSI. It is the first in Britain to have the nightingale as one of its notified features.
- In December 2013 Cumbria County Council gave Natural England planning permission to restore Bolton Fell Moss, a vast area of milled peatland in north Cumbria, back to fully-functioning, sustainable, raised bog. The raised blanket bog which it supports is one of the rarest wildlife habitats in the world, with the capacity to support Sphagnum mosses - crucial for peat formation and carbon storage.
- Natural England's National Character Area (NCA) project was highly commended having been shortlisted for one of the prestigious Landscape Institute Awards 2013. The Landscape Institute Awards are presented annually to encourage and recognise outstanding examples of work by the landscape profession. The judges praised the NCA project, submitted under the Landscape Policy and Research category of the Awards, for "...the integrated approach, linking environmental topics within a single spatial framework, and the emphasis on linking landscape and ecosystem services thinking". By March 2014 all 159 NCA profiles had been completed and were published on the Natural England website in early June 2014.

- Natural England has supported Defra since 2012 in the creation of the 48 Local Nature Partnerships (LNPs) by sharing evidence and advice on the natural environment. An online survey undertaken in 2013 of the LNPs showed that good progress is being made. Many have started work (albeit at an early stage) with local authorities in developing local plans; gathering data on key environmental issues; working with Defra agencies on delivery of agri-environment and Water Framework Directive objectives; and identifying locally determined Nature Improvement Areas.
- In November 2013 Defra announced the designation of 27 new Marine Conservation Zones (MCZs). Natural England and the Joint Nature Conservation Committee (JNCC), have played a key role in providing advice to Defra on the reliability of the science and evidence underpinning the presence and extent of marine features and habitats on each proposed MCZ. This marks four years' work towards expanding the network of marine protected areas, so that our seas are sustainable, productive and healthy.

Outcome 2: People are inspired to value and conserve the natural environment

Our contribution

Natural England is charged with conserving the natural environment as a resource for people to enjoy, understand and study. We are also responsible for promoting access to the countryside and open spaces and encouraging open-air recreation. In discharging these duties we will make a significant contribution to the engagement priorities set out in the Natural Environment White paper and Biodiversity 2020.

Highlights for 2013/14

- Natural England's network of National Nature Reserves (NNRs) contributed nearly 700 full-time jobs and £23 million into the local rural economy in 2011/12, as estimated in a report published in October 2013. Tourism accounted for the largest area of economic significance, helping create 344 full-time jobs and providing £10.8 million to local communities.
- Public access rights have been granted to 36 of the 81 NNRs owned by Natural England. We have a four-year national programme under which our NNRs – specially protected for their important wildlife and species – are being dedicated legally for public enjoyment, unless there are compelling reasons in particular cases not to do so.
- It was reported in October 2013 that approximately 250,000 children participated in outdoor learning events on farms funded through agri-environment schemes run by Natural England in the previous year, making this one of the largest single outdoor learning service in the UK. Nearly 1,200 farmers and landowners now benefit from educational access payments, an increase of almost 30% over the last three years. With support from these schemes, increasing numbers of children are welcomed onto farms and wildlife sites to learn about the natural environment and food production and take part in activities which support learning across the national curriculum.
- The innovative Paths for Communities scheme, administered by Natural England on behalf of Defra, celebrated the milestone of having fully committed funding of £2 million worth of improvements to local access. The scheme was a community-focused initiative set up to develop and enhance local public paths that both extend the access network and make it easier

to use. The improvements are being delivered across 43 separate projects, in ways that deliver social and economic benefits for the local communities. The 43 projects are expected to deliver an additional 77 km of Public Rights of Way. Three quarters of the new routes are bridleways which will provide access for walking, horse-riding and cycling. Many projects are generating specific improvements for people with limited mobility, including wheelchair users and families with young children in pushchairs.

- A new National Trails website was officially launched in January 2014. The website is the result of an innovative partnership between Natural England, Natural Resources Wales, and site developer and owner, Walk Unlimited. The site uses high quality mapping, thanks to support from the Ordnance Survey, showing the Trails in great detail as well as nearby attractions and facilities to visit – such as castles, churches, tearooms and shops. The site is packed with practical information, with new maps for the 15 National Trails in England and Wales offering over 2,500 miles of some of the best walking, riding and cycling experiences for people who love outdoor adventures.
- During 2013/14 work had commenced on a cumulative total of 772 km on the England Coastal Path. This is ahead of the target figure of 750 km due to an increasingly pragmatic, practical approach to alignment based on growing experience to date and ongoing stakeholder engagement, leading to fewer objections and therefore improved delivery performance.

Outcome 3: Sustainable use of the natural environment

Our contribution

Natural England's statutory role in the planning system, our regulatory role in respect of protected sites and species, and our delegated authority to deliver part of the Government's Rural Development Programme for England (RDPE) give Natural England an important role in making progress towards sustainable use and management of our land and benefits to the economy. We invest over £400m pa to secure environmental benefits which underpin over 52,000 farm businesses which covers 70 per cent of England's available farmland.

We continue to work towards a smarter regulatory approach in line with the Government's regulatory reform and growth agendas. Our planning and marine licensing advice to the businesses, marine industries and homeowners have become simpler and more transparent and our response times continue to improve; early and constructive engagement with businesses have enabled development to proceed with more certainty.

Highlights for 2013/14

- Improving the efficiency of regulation to allow business to make savings is a key commitment in Natural England's refreshed Improvement Plan, published in January 2014. The plan highlights our regulation improvement initiatives, including how we are expanding our risk-based approach to licensing, moving to low impact activities to class and organisational licences, based on the principle of earned recognition and how we are rationalizing and consolidating our environmental guidance through Defra's Smarter Guidance Project.
- As part of Natural England's ongoing commitment to improving our regulation system, the Great Crested Newt (GCN) licensing process was simplified, in a move designed to see more newt licence applications receiving a licence on first submission of the application. Introduced in April 2013, annexed licences have proved so successful, reducing the number of licence resubmissions by

up to 25 per cent and produced savings of £85,000, that annexed licences have been extended to cover bats and we hope to introduce the approach for dormice early in 2014/15.

- Developers can now find essential planning advice from Natural England, the Environment Agency and Forestry Commission in one simple document, "Building a Better Environment". It has been produced by the three conservation agencies to help the industry deliver sustainable developments which contribute to economic growth whilst protecting the natural environment. Outlining the organisations' roles in the development process, the guide provides a 'first stop shop' for information, explaining how we can help and where to find more technical advice such as additional consents and permits that might be needed.
- In July 2013 a ground breaking toolkit which shows local economic planners how the natural environment can enhance economic growth and help avoid future costs to growth that could arise from the environment was launched. The Local Environment and Economic Development (LEED) Toolkit was produced by the Defra network (the Environment Agency, Natural England and the Forestry Commission) working in partnership with several Local Enterprise Partnerships (LEPs), Local Authorities and Local Nature Partnerships (LNPs). Aimed at LEPs, it offers an easy to use, technically robust way of systematically considering the evidence relating to the relationship between the economy and the environment to reveal both opportunities and threats, and to consider appropriate responses when developing strategic economic plans.
- During 2013/14 Natural England played an active role in the Humber Single Conversation Pilot. The aim of the pilot is to promote sustainable growth through a coordinated approach with the statutory environmental agencies within the Defra network. A Natural England member of staff was seconded to the Humber LEP to support them in the development of their funding strategy, coordinate the environmental perspective of the Humber Estuary strategic master plan and coordinate input into the Hull and Humber City Deal whilst liaising with our partners across the Defra network to ensure a consistent approach.
- 2013/14 saw more applications than ever before submitted for funding under the Catchment Sensitive Farming (CSF) capital grant scheme. By the end of 2013/14 we had paid out £7.5 million with some claims outstanding due to extensions being granted as a result of the severe weather at the start of 2014. The scheme, which is run by Natural England, offers up to 50 per cent funding for farm improvement works that help land managers take practical action to reduce diffuse water pollution. To date we have engaged with 16,133 farm holdings covering 2.3 million hectares (42 per cent of the CSF catchments).
- In August 2013 we published a report on one of our major Environmental Stewardship monitoring activities, a three-year project undertaken in partnership with the Centre for Ecology and Hydrology and Defra, looking at the delivery of Higher Level Stewardship (HLS). The project gave a positive assessment of HLS; recognising it as a better targeted scheme than those previously offered, with potential to make a significant contribution to its objectives of conserving biodiversity, landscape and the historic environment, protecting natural resources and enhancing public access to the countryside.
- The 4-year Soils for Profit project came to end on 31 December 2013 having provided free, impartial training and advice to 6,394 farmers to help them manage their soils, manures and nutrients more efficiently. This was delivered through 250 group events and 3,000 one-to-one, bespoke, on-farm, advisory engagements.

- The Water Framework Directive Grant in Aid Project has delivered over 20,000 hectares of benefits on protected sites this year. This substantially exceeds the 12,000 hectare target and in total we have funded 106 projects to understand and address water related pressures on 36 Natura 2000 Sites.

Outcome 4: A secure environmental future

Our contribution

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

Highlights for 2013/14

- The Long-term Monitoring Network is one of the ways that Natural England measures the effects of climate change, air pollution and land management on the natural environment. In a partnership announced in March 2014, The Met Office is adding its meteorological expertise to the network to bring it right into the 21st century. At present the network has 32 monitoring stations, mostly on National Nature Reserves and sometimes in very remote locations. Not all monitoring sites currently have useful weather data available to them. Any equipment faults can take a long time to discover, which can lead to gaps in our understanding. Under the new partnership, the Met Office will upgrade all the existing weather stations with new communications equipment, and install new ones at up to 13 further sites. In return, Met Office will be able to use data from our stations to validate its weather forecasts.
- The MAGIC website was redeveloped in May 2013 to bring it up to date and to amalgamate MAGIC and Nature on the Map functionality into a single website. Many of the improvements to the site are as a result of customer feedback. The website is Natural England's main mechanism to allow the outside world to access our key environmental datasets. The service provides access to over 200 datasets about the natural environment from across government, of which 35% are from Natural England. The information covers rural, urban, coastal and marine environments. Natural England runs MAGIC on behalf of Defra and 6 other government organisations. The highest number of users in a single day, 4,733, was seen on 11 March 2014.
- The latest 'Monitor of Engagement with the Natural Environment' (MENE) report published in July 2013 revealed that the English adult population made approximately 2.85 billion visits to the outdoors between March 2012 and February 2013, spending approximately £21 billion during these visits. By visits we mean time spent outdoors in the natural environment, away from home and private gardens. Since it was first commissioned by Natural England, Defra and the Forestry Commission in March 2009, the MENE survey has consistently provided useful and insightful baseline and trend data on how people use the natural environment in England. The evidence from MENE is being used by Public Health England to help local authorities identify priorities for greening their communities which will, in turn, improve people's health and wellbeing.
- We have teamed up with the Field Studies Council to create 'Biodiversity Fellows', a new programme to train and retain wildlife recorders as volunteer experts. The aim is to support the voluntary sector's role in engaging with the natural environment and contributing to our monitoring and understanding of its state and trends.

- In March 2014 Natural England reached a new record for downloads from the Publications and Products Catalogue of over 100,000 for the month. With 960,000 downloads for the financial year we have significantly exceeded our target set in the Corporate Plan for 500,000 downloads. We have published 51 new evidence reports this year, including commissioned reports written by contractors, and research reports and evidence reviews written by our own staff. As part of our continued efforts to increase access to our evidence, we have also continued to upload historic reports and other types of evidence to the catalogue.

Excellent Public Body

Why we are doing it

- Our approach to delivering our four Outcomes is underpinned by our determination to be an Excellent Public Body, equipping our people with the right culture, skills and professionalism to deliver a high quality service to our customers.

Highlights for 2013/14

- In 2013 Natural England was successfully awarded the Cabinet Office Customer Service Excellence Standard. This Standard tests an organisation against 57 components with a particular focus on delivery, timeliness, information, professionalism, staff attitudes and customer insight. In order to achieve the award, each of Natural England's business areas had to provide evidence against the criteria in two to three day assessments conducted by independent assessors. During this period the assessors not only considered the evidence provided, but also spoke with staff in different roles and at different levels, as well as a range of Natural England's key customers and stakeholders.
- We now have a number of channels through which we gather customer feedback. Our end of year live customer point of service feedback data shows that 92 per cent of our customers are satisfied or very satisfied with our performance. This shows an increase of 1 per cent from the figure reported in 2012/13. The public sector benchmark for similar organisations is 83 per cent.
- A staff survey undertaken in February 2014 revealed that 94 per cent of our staff believe they have the skills needed to operate effectively. In addition, 75 per cent of the organisation feel that, when considering everything, Natural England is a good place to work.
- During 2013 we rolled out our Staff Interchange project following a pilot in 2012. Through short-term staff placements with key industry customers, we are helping to develop our understanding of their business, exchanging views on our different roles and perspectives, and sharing best practice.

Financial commentary

This Annual Report and Accounts covers the activity and performance of Natural England for the 12 months 1 April 2013 – 31 March 2014. Natural England is predominantly funded by Defra and therefore our funding agreement operates within the context of the Comprehensive Spending Reviews (CSR) which HM Treasury agrees with each Government Department. 2013/14 is the third financial year of the CSR 2010 settlement which covers the spending plans for the four year period 2011/12 to 2014/15.

The Natural England 2013/14 settlement reflected an additional reduction of £1m in 2013/14, which is over and above the £44.2m reduction in core Grant in Aid (GIA) over the four years 2011-2015. This represents a 26% cut in our overall annual funding and a 38% cut in the portion of the budget that

we directly manage (the other portion of our budget relates to recharges for services provided centrally by Defra such as Shared Services, IT and Estates). During 2013/14 additional GIA was secured for successful capital bids, CAP and the funding towards the voluntary exit scheme.

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

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

Available resources

Our people are our greatest asset. Natural England's staff bring a wide range of knowledge and skills to the challenges of safeguarding our natural environment - combining expertise in farming and land management; conservation and ecology; terrestrial and marine biology; land use planning and landscape architecture; geology and hydrology with a track record of delivering a first class service to our customers and value for money. We recognise the commitment and dedication of our staff in achieving the best outcomes for the Natural Environment. The investment we make in our staff is described in the Employees section of this report.

We continue to maintain a flexible skilled workforce through the use of fixed term contracts.

In addition, the relationship with key partners is vital to the success of Natural England's business. In particular, we work closely with the Environment Agency and Forestry Commission on a daily basis all over England. We are also helping to deliver a range of other civil society partnerships and are moving towards a more localised approach.

Natural England has invested £5m for the 12 months to 31 March 2014 (2012/13 £4.9m) in additional fixed assets to contribute to the delivery of its business objectives. Over and above this, Natural England manages directly, or through partners on behalf of the nation 144 of our NNRs.

Our future and how we are changing

Natural England will continue to support Defra through further change and financial challenges. We have received from Defra our budget settlement of £145m for 2014/15 and an indicative budget of £139m for 2015/16 (both years exclude contributions to Catchment Sensitive Farming, Water Framework Directive, Biodiversity work and Bovine TB work). These figures are based on the planned CSR2010 settlement as reduced by a further £7.6m and £6.8m respectively arising from the mini spending Review in 2013.

We are working closely with Defra to deliver outcomes in a changing political environment. The Defra Network is currently working towards the implementation of Strategic Alignment/One Business across the Defra network to bring together a central corporate services function. This may have medium term implications on our funding. Defra has included our GIA for 2014/15 in their estimates which have been approved by Parliament. We would expect continued support from Defra in future years. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

In June 2013 Defra published the outcome of the Triennial Review, which looked in detail at the work carried out by both Natural England and the Environment Agency. It concluded that both organisations should be retained as separate Non-Departmental Public Bodies, keeping their current

purposes and statutory roles, but should work more closely together. A Joint Action Plan produced by Natural England and the Environment Agency addressing Triennial Review recommendations and taking into account the feedback we received from customers and partners is currently underway.

We have reviewed our strategic purpose. We wish to continue to deliver across the breadth of our remit, whilst engaging with customers and partners locally. But we have fewer resources. We have had to release over 100 FTEs from 1 April 2014. We have taken the opportunity to restructure our teams putting the emphasis on local delivery, partnership working and innovation in what we do.

Financial performance summary

Natural England's Funding and the main areas our money is spent on

Natural England's main source of funding is GIA from Defra. In 2013/14 Natural England's total GIA was £192m which made up 95% of its gross income. A breakdown of the remainder is shown in Note 6 of the accounts. Outcomes for the natural environment are delivered through GIA and other income it receives, and also through partnerships with other organisations that fund work for the natural environment.

Natural England is also responsible for the management and delivery of the Rural Development Programme England (RDPE), £443m to March 2014, (£438m 2012/13), was paid to landowners and farmers for the environmental benefits delivered in 2013/14. This spend is accounted for by Defra, but Natural England incurs the administrative cost of delivery. The programme has been delivered very successfully by Natural England, delivering the desired business outputs within forecast, and contributing to finance planning for the next programme.

Employees

Regarding our employees, much of the focus, this year, has been to develop and deliver processes, tools and approaches to support and bring our people through a range of activities to prepare for a refreshed organisation, as we move in 2014/15 to a new, local delivery based structure.

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

Natural England's policy is to ensure all internal communications activity is transparent and timely, providing fair and accurate information to everyone. Our communications are also supportive of Natural England's desire for sustainable ways of working and the Green Travel policy.

Natural England's skills development programme has focused on the technical and scientific skills required for people to deliver environmental outcomes, the personal skills all staff need to work effectively, and on our leadership capability (especially for future leaders).

We have rolled out workforce planning across all functions, supported by a robust set of management information and active succession planning.

We continue to value employee involvement in maintaining and improving the quality of working life and this is reflected in our Partnership Agreement with the trade unions. In this document we jointly commit to working together to ensure that Natural England is a successful organisation supported by committed, skilled and motivated employees.

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

We continue to monitor the health and safety of our employees. We have embedded a comprehensive online system to train employees in the safe use of their workstation and associated equipment and allow managers to review and take action to resolve any issues. Natural England has introduced Occupational Health Surveillance for those in high risk areas to baseline the health of our employees and ensures their activity does not negatively impact upon their health. The Near-Miss campaign has emphasised the importance of reporting near misses and incidents to prevent other staff from harm and provide information to continually improve our processes and guidance.

During 2013/14, Natural England employees incurred an average of 4.3 days of sick leave (4.1 days in 2012/13). This remains well below the overall civil service average, of around 7.6 days per employee per year.

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

The conclusions of the review were that:

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

The following table shows the outcome for Natural England

Table 1: For all off-payroll engagements as of 31 March 2014, for more than £220 per day and that last longer than six months

	Number
No. of existing engagements as of 31st March 2014	1
<i>of which:</i>	
No. that have existed for less than one year at time of reporting organisation's payroll	1
No. that have existed for between one and two years at time of reporting	-
No. that have existed for between two and three years at time of reporting	-
No. that have existed for between three and four years at time of reporting	-
No. that have existed for four or more years at time of reporting	-

Table 2: For all new off-payroll engagements between 1 April 2013 and 31 March 2014, for more than £220 per day and that last longer than six months

	Number
No. of new engagements between 1 April 2013 and 31 March 2014	1
No. of new engagements which include contractual clauses giving Natural England the right to request assurance in relation to income tax and National Insurance obligations	1
No. for whom assurance has been requested	1
<i>Of which:</i>	-
No. for whom assurance has been received	1
No. for whom assurance has not been received	-
No. that have been terminated as a result of assurance not being received or ended before assurance was received	-

Table 3: For any off-payroll engagements of board members and/or senior officials with significant responsibility between 1 April 2013 and 31 March 2014

	Number
No of off-payroll engagements of board members and/or senior officials with significant responsibilities	-
No of posts as of 31 March 2014, within Natural England that contain, or once filled would contain, individuals that are "board members" and/or senior officials with significant financial responsibility". This figure includes both off-payroll and on-payroll engagements.	7

Staff split by Gender

Changes to the Companies Act 2006 set out new legislation that the gender split of employees must be reported. Natural England's total staff as at the 31 March 2014. This table includes permanent and temporary staff.

	Male	Female
Non-Executive Directors	8	1
Management Staff	19	4
All Other Staff	1,077	1,259
Total Staff	1,104	1,264

Social Community Statement

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

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

Sustainability and Environmental Reporting

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

Natural England remains committed to reducing its impact on the environment and remaining a sustainable organisation. We aspire to be an exemplar in both our behaviour and in our reporting and will ensure that the culture we have adopted around carbon reduction and sustainable ways of working remain embedded in our daily work.

Our Sustainability and Environmental Report is attached at Annex 2.

Natural England is required to report on the Greening Government Commitments (GGC). These consist of a range of targets around our environmental performance, including those reported here. We are working closely with Defra, our parent department and our landlords across the majority of the estate. Our performance to date for 2013/14 has been excellent, with us meeting or exceeding each of our GGC targets.



David Webster
Accounting Officer and Chief Executive

19 June 2014

Directors' Report

Research and development

Natural England has spent £5.08m on science and monitoring evidence in 2013/14.

In addition to this Natural England has provided £845k to support species recovery projects, coordinated the delivery of £1.08m worth of Environmental Stewardship monitoring activities covered by RDPE technical assistance funding, and provided staff time and expenses to carry out in-house monitoring.

The main areas of spend in 2013/14 have been on: marine; terrestrial biodiversity and land management evidence; our long-term monitoring network and the project to Monitor Engagement with the Natural Environment. Other areas of spend include land use, access and engagement, making evidence more accessible, data management, ecosystems services, economic impacts, climate change, great crested newts, PhDs and producing Geographical Information data. The evidence programme has also contributed £200k (out of a total Natural England contribution of £410k) to local record centres.

Funds have been targeted at those areas that are essential to deliver the organisation's strategic outcomes. Most (74%) of this spend to date has been on monitoring Natural England's sites and interventions and surveillance of the state of our natural environment, but research (21%) has also been funded to tackle specific priority evidence needs.

All non-capitalised development expenditure and all research expenditure is written off to the Statement of Comprehensive Net Expenditure in the year it is incurred.

Payment of trade and other payables

Government has a commitment to pay suppliers within 10 days and we aim to meet this target wherever possible. During 2013/14 99.7% (97% 2012/13) of Natural England's payments to suppliers met these criteria.

Natural England is also subject to the Late Payment of Commercial Debts (Interest) Act 1998, which gives small firms with 50 or less employees a statutory right to interest for the late payment of commercial debts. Natural England incurred no late payment interest during 2013/14.

Public Sector Information Holders

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

Personal Data Related Incidents

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

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

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

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

Category	Nature of Incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper document from secured Government premises.	-
II	Loss of inadequately protected electronic equipment, devices or paper document from outside secured Government premises.	30
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents.	-
IV	Unauthorised disclosure	10
V	Other	-

Pensions

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. Natural England is unable to identify its share of the underlying assets and liabilities because it is part of a larger civil service scheme.

An actuarial valuation of the PCSPS is currently underway, with an effective date of 31 March 2012 (last valuation 31 March 2007). This valuation is being conducted in line with Directions made by HM Treasury, made under the Public Service Pensions Act 2013. Provisional results of the valuation indicate that there will be an increase of 2.2 percentage points in the average employer contribution rate paid to the scheme from 1 April 2015, with the average employer contribution rising from 18.9% to 21.1%. The full results of the valuation, which will also set an employer cost cap for the scheme, will be published in the coming months.

For 2013/14 employer's contributions were payable to the PCSPS at one of the four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The contribution rates are set to meet the cost of the benefits accruing during 2013/14 to be paid when the member retires and not the benefits paid during this period to existing pensioners. Employees have the option of a stakeholder pension with an employer contribution. Further details are described in paragraph 1.19.1 of the Accounting Policies.

Auditors

The accounts of Natural England are audited by the Comptroller and Auditor General under the Natural Environment and Rural Communities Act 2006. The audit fee for 2013/14 is £120k (2012/13: £130k). There have been no payments made to auditors for non-audit related work.

Disclosure of audit information to auditors

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

Chief Executive and Chairman

Natural England's Chief Executive has been David Webster since 1 March 2012. The previous Chairman, Poul Christensen retired on 31 December 2013. Andrew Sells was appointed as Chairman on 20 January 2014. I would like to take the opportunity to thank Poul Christensen for his valuable contribution to the development of Natural England.

Board Members

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

Post balance sheet events and future developments

Natural England will be welcoming a new Chief Executive Officer into post during 2014/15. This may result in some organisational changes in due course. Balance sheet events are disclosed in note 19 to the accounts.

Natural England is heavily influenced by the political environment in which it operates. During times of austerity, public funding has been squeezed and future cuts in funding are likely. The organisation is actively involved in Defra's 'one business' plan, which will aim to streamline indirect overhead costs by creating one large corporate services function across the department.



David Webster
Accounting Officer and Chief Executive

19 June 2014

Remuneration Report

Appointments

All appointments to the Board are made by the Secretary of State for Environment, Food and Rural Affairs. The appointments are made in accordance with the Code of Practice for Ministerial Appointments to Public Bodies issued by the Office of the Commissioner for Public Appointments. Appointments are normally made for a period of three years. More details about our board members can be found on our website: www.naturalengland.org.uk/about_us/ourpeople/neboard/default.aspx

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

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

Senior staff appointment information and remuneration is reported in the tables below. No exit packages were paid to senior staff in 2013/14 or in 2012/13.

Salary

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

Board Members' remuneration is determined by Defra.

Performance related pay

Performance related pay is based on performance levels attained and is payable as part of the appraisal process. Performance related pay relates to the performance in the year in which it becomes payable to the individual. Performance related pay paid in 2013/14 relates to performance in 2012/13.

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

No Benefits in kind were paid in either 2013/14 or 2012/13.

Cash Equivalent Transfer Values (CETV)

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

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

The real increase in the value of the CETV

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

Remuneration policy

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

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

- Using the Government's Job Evaluation System (JESP), for jobs falling within the Senior Civil Service Cadre.
- A performance management framework, which determines pay awards and performance bonuses through the assessment of performance based on the individuals contribution against agreed objectives and within Cabinet Office guidance.

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

Board Members are required to provide one month's notice of their intention to leave.

Remuneration (audited information)

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

Table 1: Natural England non Executive Board

Board Members	2013/14 Remuneration £000	2012/13 Remuneration £000
Poul Christensen (Chairman) (to 31/12/13)	50 - 55	50 - 55
Andrew Sells (Chairman) (from 20/1/14)	10 - 15	-
David Hill (Deputy Chairman)	15 - 20	15 - 20
William Cockbain	10 - 15	10 - 15
Catherine Graham-Harrison OBE	10 - 15	10 - 15
Nigel Reader CBE	10 - 15	10 - 15
Joe Horwood	10 - 15	10 - 15
Doug Hulyer	10 - 15	10 - 15
David Macdonald	10 - 15	10 - 15
Andy Wilson	10 - 15	10 - 15

All Non-Executive Directors who served during 2013/14 were in post as at 31 March 2014. Poul Christensen's full year equivalent salary upon his retirement on 31 December 2013 was £70-£75k. Our new Chairman, Andrew Sells', full year equivalent salary is £55-£60k.

Board Members have no entitlement to performance related pay, pension contributions or other benefits (except the outgoing Chairman Poul Christensen who had a separate pension scheme set up by Defra which is described as 'by analogy to the main scheme'). Poul's total annual pension at 31 March 2014 is between £5- £10k.

Table 2: Natural England Executive Board

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

	2013/14			2012/13			
	Salary £000	Pension Benefits £000	Total £000	Salary £000	Performance Related Pay £000	Pension Benefits £000	Total £000
Chief Executive:							
David Webster	120 - 125	6	125 - 130	120 - 125	1	205	325 - 330
Executive Directors:							
Jim Smyllie, People, Landscape and Biodiversity	85 - 90	9	95 - 100	85 - 90	-	11	95 - 100
Guy Thompson, Customers and Land Management	95 - 100	22	115 - 120	95 - 100	-	32	125 - 130
Paul Lambert, Corporate Services	85 - 90	15	100 - 105	85 - 90	-	38	125 - 130
Andrew Wood, Science, Evidence and Advice	95 - 100	22	115 - 120	95 - 100	13	46	150 - 155

Performance related pay paid in 2012/13 relates to performance in 2011/12. No performance related pay was paid during 2013/14. No Benefits in kind were paid in either 2013/14 or 2012/13.

In accordance with the requirements of Natural England's Management Statement, the Chief Executive is eligible to receive a non-consolidated performance payment of up to a maximum of 15% of current salary. Along with other equivalent senior staff in the Civil Service this is currently capped at a maximum of £15k per annum.

The Chief Executive's performance objectives are agreed each year by the Non-Executive Board. A large proportion of these objectives, but not all, are aligned to the organisation's objectives. Organisational performance against objectives is scrutinised at each board meeting. At the end of the year the Non-Executive board assesses the overall performance of the Chief Executive against the agreed criteria and approves an appropriate level of both consolidated and non-consolidated performance pay.

Executive Directors' and Directors' contracts allow for non-consolidated performance related pay up to a maximum of 15% of salary. In addition to this, 2013-14 levels of non-consolidated performance payments for Civil Service senior staff were capped by the Cabinet Office at £12.5k for Executive Directors and £10k for Directors.

Within these boundaries, the actual amount to be awarded is determined by the Chief Executive.

The Chief Executive, Executive Directors and Directors waived their right to all non-consolidated performance related payments in relation to 2012/13. This response was made after listening to staff in the organisation and to acknowledge the huge contribution they have made. This has resulted in no performance related payments being made during 2013/14.

Median Pay

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

Board Members	2013/14	2012/13
Highest Earners total remuneration	£120k - £125k	£120k - £125k
Median total remuneration	£29,846	£29,450
Ratio	4.1	4.2

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

The highest paid employee is the Chief Executive, David Webster.

Pension Benefits – Chief Executive & Executive Directors

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

	Total accrued pension at age 60 and related lump sum (LS) at 31 March 2014 £000	Real increase in pension and related lump sum (LS) at age 60 £000	CETV at 31 March 2014 £000	Restated CETV at 1 April 2013 £000	Real increase in CETV £000
Chief Executive:					
David Webster	60 - 65	0 - 2.5	982	918	2
Executive Directors:					
Jim Smyllie	25 - 30 lump sum 75 - 80	0 - 2.5 lump sum 0 - 2.5	549	506	9
Guy Thompson	10 - 15	0 - 2.5	144	120	9
Paul Lambert	15 - 20	0 - 2.5	286	255	10
Andrew Wood	30 - 35 lump sum 45-50	0 - 2.5 lump sum (0-2.5)	712	645	22

The actuarial factors used to calculate Cash Equivalent Transfer Values (CETVs) were changed in 2013/14. The CETVs at 31 March 2013 and 31 March 2014 have both been calculated using the new factors for consistency. The CETV for 31 March 2013 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.



David Webster
Accounting Officer and Chief Executive

19 June 2014

Governance Statement

1. Introduction

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 public funds and assets in accordance with the responsibilities assigned to me in *Managing Public Money*. I am also required to ensure that Natural England complies with the relevant codes of corporate governance, which in our case is "*Principles of Good Governance in Executive NDPB's*" issued by the Cabinet Office. This governance statement covers the period 1 April 2013 to 31 March 2014.

2. Governance Framework

2.1 Board Governance

Natural England is a non-departmental public body (NDPB) sponsored by Department for the Environment, Food and Rural Affairs (Defra). We are led by a non-executive board appointed by the Secretary of State for Defra. The Board has collective responsibility for the overall performance and success of Natural England, for ensuring it carries out its statutory duties, and delivers its priorities as agreed with the Secretary of State. The Board is also responsible for holding the Chief Executive to account, ensuring that Natural England is properly and effectively managed, and provides stewardship for the public funds entrusted to it.

The Board governance arrangements are detailed in the Management Statement. This is supported by the Financial Memorandum, which sets out the financial framework within which Natural England is required to operate. Natural England's Chairman and Chief Executive have a twice yearly performance review with the Secretary of State. The performance of Natural England is discussed with Defra at regular meetings with officials and at Defra's Supervisory Board.

The Board comprises the Chair and eight other non-executive members each appointed by the Secretary of State. Andrew Sells replaced Poul Christensen as Chairman on 20 January 2014. The Chief Executive was appointed an ex officio member of the board on 20 March 2014.

In 2013/14, the Board met five times; four of these as formal Board meetings held in public and the fifth as a site visit. From April 2014, the Board will meet ten times a year. Standard agenda items at Board meetings include the Chief Executive's Report (covering delivery of the Corporate Plan, financial position, compliance, Rural Development Programme for England and strategic issues) and reports received from its committees.

Our Board receives a high volume of briefing papers, which support their work, and the process of assuring quality Board papers has evolved in response to Board member feedback. The minutes, together with the agendas and papers are available at www.naturalengland.org.uk. Board attendance has been excellent for the year, and attendance records can also be viewed at this address.

2.2 Board Committees

The Board has established two committees for key business areas, NESAC and ARAC. Both committees are chaired by a Board member, and include two other Board members. Annually, the Board reviews, and approves the terms of reference. Both remuneration and recruitment of Board members are determined by Defra.

2.1.1 Natural England Science Advisory Committee (NESAC)

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

NESAC has an important role challenging and reviewing our science and evidence. It:

- provides advice to the Board on the integrity and relevance of our overall evidence programme and of prospective research.
- provides a link between the Board, our staff and the wider research community ensuring that Natural England is kept aware of current and emerging relevant issues in the natural and social sciences.
- discusses aspects of our business where science and evidence are at the forefront of our interventions.
- provides scrutiny of our summaries of evidence and challenges to our use and generation of evidence.
- produces quarterly and annual reports to the Board.

2.2.2 Audit and Risk Assurance Committee (ARAC)

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

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

The Chair of the ARAC participates in regular meetings with the Chairs of the Audit Committees from the Defra Network who discuss a range of risk related topics. To ensure that Defra has sight of any issues, the Department's Head of Internal Audit has an open invitation to attend Natural England's ARAC meetings. The Board receives copies of the ARAC minutes and regular reports from the Chair on the work of the Committee including the Annual Report and Accounts.

2.3 Executive Governance

Executive governance is delivered through the Executive Board and the Operations Group, together with functional management teams who are overseen by specific Directors all of whom interact to integrate delivery across the whole of our remit.

The Executive Board, which is chaired by me as Chief Executive, comprises the four Executive Directors. It meets normally twice a month and is concerned with advising the Board on the strategic direction for Natural England and for ensuring it is delivered through the Corporate Plan. This includes identifying any strategic risks and putting in place appropriate countermeasures to mitigate their affect. It provides leadership to the organisation in setting plans, reviewing performance and ensures that resources are allocated effectively.

The Operations Group is an executive group which meets monthly and its remit is to ensure delivery of the operational objectives and in year performance, advising the Executive Board on any areas of concern. It also receives and reviews the Programme Risks and Issues Register, and identifies risks that need escalating.

Finally, the Governance Group brings together a number of Directors from across Natural England's functions to provide a detailed focus on governance principles, processes and procedures. It also assists in promoting good governance across Natural England and acts as a provider of advice and independent opinion.

2.4 Audit

Natural England has an internal audit service with an in-house Head of Internal Audit (HIA). Additional assistance for 2013/14 internal audit work was supplied by RSM Tenon and Baker Tilly, who also provided assurance to others in the Defra network. The HIA provides an annual opinion on Natural England's systems of internal control with reference to governance control and risk management. He bases his opinion on a range of reviews and has assessed the overall control environment as having a 'moderate' level of assurance that Natural England is operating effectively. The HIA has also been consulted on, and is satisfied with the contents and production of this Governance Statement.

3. Board and Executive Performance

We conducted the Board effectiveness exercise in May 2014, where the Board assessed its own performance through a self-assessment questionnaire developed with the NAO. Board assessment is based on the criteria of six core principles of good governance developed for the Board drawing on best practice from across the public sector. It aims to provide an overall Board assessment against the governance framework, which is consistent with Cabinet Office guidelines. This review concluded that the Board was effective in its operation.

The ARAC conducted a review of its own effectiveness during 2012-13, through a questionnaire designed for the Defra network. Whilst no formal review has taken place this year, the committee has considered its effectiveness. In doing so, it noted the previous endorsement from NAO and reiterated by Defra HIA that it was an effective committee, and members felt it has struck the right balance between challenge and support to the Executives. Owing to significant changes in membership for the period 2013-14, NESAC have not conducted an effectiveness review, but one is planned for 2014-15.

Our performance is discussed with Defra at regular meetings of officials. Our Chairman and Chief Executive meet regularly with the Secretary of State for Environment, Food and Rural Affairs and other Defra Ministers. During the year we received no Ministerial directions. We present a performance report and forward look to the Defra Supervisory Board, which is chaired by the Secretary of State and provides collective strategic and corporate leadership to Defra.

During the year, we have updated our Strategic Direction. This sets out our vision of how Natural England will help to bring about a natural environment which is healthy, properly functioning and resilient, and recognised as the foundation for sustainable economic growth, prospering communities and personal wellbeing.

Natural England, on behalf of Government, will continue to protect landscapes, biodiversity and geodiversity, delivering our statutory remit as established by Parliament. The government's Triennial Review confirmed our status as an independent public body. It encouraged us to continue to adapt to the demands of the government's growth agenda, and to collaborate more, not only with the Environment Agency, but with other bodies in the Defra network and beyond. We take these challenges seriously, and work is in hand to fully deliver on the Triennial Review Action Plan.

Partnerships will continue to be key to the way we work, and our new local delivery model, with more decisions taken at a local level, will strengthen our relationships with local partners and communities. Support from business and industry has also always been, and will continue to be, important. We have taken every opportunity to improve the way we work with those businesses on whom the country relies on to keep the economic recovery going – in particular by simplifying our regulatory processes, adhering to the Regulators' Compliance Code, and offering support to developers to help them comply with environmental legislation.

Natural England complies with the good practice requirements of the Corporate Governance Code as applies to NDPBs.

4. Internal Control

As Accounting Officer, I have responsibility for reviewing the effectiveness of internal control. This review is informed by the Executive Directors, Directors, Governance Group, Team Managers and Leaders who are responsible for the development and maintenance of the internal control framework. This is supported by the work of Internal Audit, comments made by the external auditors in their management letter and other reports and advice from the ARAC and Board. A review of the annual report to the Board from the Chair of ARAC, along with the HIA annual opinion, provides me with further evidence of internal control effectiveness.

Assurance is sought twice yearly through internal governance control questionnaires with the questions, coverage and guidance reviewed prior to issue. The questionnaires require staff to make an evidenced assessment about the adequacy of the control framework that has been in place throughout the period, highlighting any areas of control weaknesses and identifying improvement action plans. The results from these statements form part of the review of compliance by the ARAC, myself as Accounting Officer and the Board.

The overall results of the year end Governance Control Questionnaire suggest all functions feel the control framework is strong. The responses received from our functions contained no 'partially disagree' or 'entirely disagree' responses, with 96% of answers responding 'entirely agree'. This compares to 93% responding 'entirely agree' at the interim accounts stage. Of those answering 'partially agree' most of these were contained in the questions on 'Compliance with Natural England Strategies, Standards & Procedures'. Whilst staff have been trained on 'Responsible Information Handling', there have been a very small number of instances where personal data was inadvertently disclosed. Each incident has subsequently been resolved and we continue to take appropriate steps to safeguard data through any lesson learnt.

The services we receive from Shared Services Connect Limited (SSCL), our new shared service provider are set out in a Framework Agreement and Call Off contract, with a series of supporting key performance indicators. Performance against the KPIs is in line with or exceeds the targets. For the six months ended September 2013, a "sufficient" assurance opinion has been given by the Defra Group Chief Internal Auditor. The Crown Oversight function, an arm of Cabinet Office charged with delivering the governments shared service agenda commissioned Grant Thornton to review the control assurance framework, period October 2013 to March 2014 when the contract had been transferred to SSCL. Grant Thornton assessed the SSCL control environment as having a 'reasonable' level of assurance that the control environment is operating effectively.

Natural England does not own any business critical models; however, we do have appropriate management arrangements in place to assure the quality of information.

Natural England is an organisation that seeks continuous improvement. It has relevant processes in place to ensure that reviews are initiated to learn lessons in cases where performance has fallen short of expected standards and that the specific actions and recommendations arising from those lessons learned are systematically followed up. Completion of actions from key issues is reported to management, to the ARAC regularly and to the Board as appropriate.

5. Assessment of Risks and Issues

5.1 Risk Framework

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

- the Strategic Risk Register is reviewed by the Executive Board and the ARAC on a quarterly basis and regularly reviewed by the Board.
- a risk management action plan, with named risk owners, is produced for each risk with actions shown to mitigate and manage the risks.
- subsidiary risk registers are produced at the project, programme and function level.
- a risk and issues management standard that defines a consistent approach to risk management is imbedded within the organisation.

We are prepared to take considered risks to deliver some innovative work but have a lower risk appetite in areas where there are explicit statutory duties. We have in place robust information risk governance structures with a Senior Responsible Officer at Executive Director level responsible for information risk. Information asset owners take responsibility for the confidentiality, integrity and availability of key information assets. Natural England works closely with the Defra network in ensuring that common issues are addressed in a consistent manner and experience shared.

The Risk Management Assessment Framework is a Treasury developed tool used by many Departments and Arm's Length Bodies to provide a consistent means by which progress in developing risk management during the year can be measured. Our assessment showed positive results with only one exception where the score was slightly lower than previously scored due to our risk standard undergoing a review. With this one exception, other scores either mirrored or improved on the previous return. As such, the assessment shows that Natural England has maintained a constant level of risk management and evidences that our risk management is effective.

In further developing an anti-fraud culture in Natural England, we have implemented during 2013/14, a fraud risk register and identified our top fraud risks. In addition, we have reviewed our existing Anti-Fraud Policy and Whistle blowing procedures. We have provided "Responsible for information" training, which includes fraud awareness, to our people. We take fraud matters seriously with independent investigations carried out where appropriate, and shared with the ARAC.

5.2 Key Risks and Countermeasures

The risks identified below provide extracts from our Strategic Risk Register, which was shared with the ARAC during December 2013 and June 2014. The register captures both impact and likelihood of each risk item, to derive an overall RAG status. The table below reflects those risks with a high RAG status, but where our risk appetite is either low or medium.

Risk	Countermeasures include
Shortfall in Funding:	
Shortfall in funding for delivery adversely affects our ability to meet our Natura 2000 marine and terrestrial commitments.	We have agreed with Defra to maintain marine staffing at its current peak level for 2014/15 to deliver the government's marine priorities. We have a demanding delivery programme and have put in place improved project management. We continue to work closely with JNCC, Defra and others. Our programme sits within the overall Defra programme governance.
Multiple Changes	
Failure to manage multiple internal and external changes adversely affects staff morale and overall organisational delivery.	<ul style="list-style-type: none"> i) We have established a regular portfolio review process with Executive Board, allowing assessment of the progress and cumulative impact of the existing main change programmes. ii) We have used this process to produce summary flight plans of key change initiatives to allow management teams to assess impact and to take measures to reduce pressures on staff. iii) We are embedding more rigorous assessment of the implications of change into the ongoing Corporate Planning process.
Long-Term Conservation Strategy	
Our understanding of a long-term conservation strategy is not well understood by ourselves and by our partners, leading to sub optimal conservation outcomes.	<ul style="list-style-type: none"> i) Our Strategic Standard, outlining principles behind the improvement of conservation objectives, including working with others towards a better understanding of Favourable Conservation Status (FCS), has now been published, following stakeholder consultation. This standard will guide the production of supplementary information for all European sites (now started) and will lead to a tighter wording of high level Conservation Objectives ii) Chief Scientist has signed off terrestrial and marine 'feature frameworks' for Annex 1 habitats and Annex II species. A SPA Feature Framework is awaiting Chief Scientist consideration pending final ornithological QA. In 2014/15 we will begin to develop strategies for delivering FCS for a selection of Annex I habitats and Annex II species, linking to the results of the Life-funded project. iii) Joint Project Management between terrestrial and marine elements continues to manage the critical inter-dependency. iv) We are developing a conservation strategy which the Board will consider in the autumn and we will then consult with stakeholders.

5.3 CAP Delivery Programme current status

Defra have taken forward preparation for the implementation of new CAP schemes in 2015. The CAP Delivery Programme is developing an IT system, control environment, and the associated business change to deliver the new schemes in 2015. The programme is part of the wider Government Digital Transformation programme. CAP delivery remains a complex, high risk programme and is therefore subject to extensive assurance activities.

Risk/Issue	Current Status
CAP Reform Outcome	
<p>CAP reform results in a reduction in our capacity to effectively deliver the outcomes prescribed in the Natural Environment White Paper, Biodiversity 2020 Strategy, legal obligations for SSSIs and under relevant EU Directives, and other core NE and Defra targets, with the resultant impact in support for our customers.</p>	<p>Working closely with Defra, RPA and CAP Delivery and through all relevant governance groups, to ensure that Pillar 2 scheme needs are fully addressed in the IT development and wider CAP Delivery Programme. Working with EA and FC to develop a targeting approach that delivers Ministerial ambition around environmental priorities and maximises synergies between them. Working with RPA and Defra to secure scheme options that are verifiable but will deliver the environmental outcomes required from the scheme. Additional control measures have been introduced to provide further assurance around management of existing schemes to minimise disallowance risk. Ensure that final scheme options are fit for purpose whilst helping to reduce delivery cost. Maintaining effective internal governance where the risks are actively monitored and managed.</p>
CAP Reform Timing	
<p>Timing of final decisions on CAP Reform and rules applying to agri-environment schemes requires contracts to be let for new IT systems and new systems build to begin ahead of finalised requirements. This results in a compressed timetable for new IT provision, forces an approach of starting the build of new systems on planning assumptions that are liable to change, an increased risk of errors and delays if changes are required late in the process, with adverse impacts on customers, the environment and reputation of Natural England and Defra. Disallowance is also a risk if new systems and processes do not support and control delivery effectively.</p>	<p>Provision of new IT to support CAP schemes delivery is coordinated through the CAP Delivery Programme. The business case, procurement process and phasing of the launch of new schemes or the IT to support them is being planned in a joined up way by Defra, Natural England, the Forestry Commission and the Rural Payments Agency. In addition, the Government Digital Service (part of Cabinet Office) has taken a central role in supporting the development of the required new IT using an innovative 'agile' approach for iterative development that affords more flexibility and time for testing. Contingencies centre on the use of existing systems to maintain service to customers and re-use of suitable existing IT assets in the new integrated solution.</p>

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

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



David Webster
Accounting Officer and Chief Executive

19 June 2014

Statement of Accounting Officer's responsibilities

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

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

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

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

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

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

I certify that I have audited the financial statements of Natural England for the year ended 31 March 2014 under the Natural Environment and Rural Communities Act 2006. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and Auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Natural England's affairs as at 31 March 2014 and of the net expenditure for the year then ended; and

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

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

25th June 2014

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

Statement of Comprehensive Net Expenditure for the year ended 31 March 2014

	Note	2013/14 £000	2012/13 £000
Expenditure			
Staff costs	4.1	92,528	86,505
Depreciation & Amortisation		3,210	4,190
Programme & Grant expenditure	5	58,724	65,188
Other expenditure	5	43,533	44,960
Total Expenditure		197,995	200,843
Income			
Income from activities	6	(8,157)	(12,267)
Other income	6	(1,653)	(1,455)
Total Income		(9,810)	(13,722)
Net Expenditure		188,185	187,121
Interest receivable		(1)	(8)
Net Expenditure after interest		188,184	187,113

Other Comprehensive Expenditure

Items that will not be reclassified to net Operating costs:

Net (gain) on revaluation of Property Plant and Equipment	7.1a & 7.1b	(879)	(866)
Net (gain) on revaluation of heritage assets	8	(11,119)	(2,411)
Net loss/ (gain) on revaluation of Agricultural Biological Assets		6	(1)
Net (gain) loss on pensions provision		31	5
Total Comprehensive Net Expenditure		176,223	183,840

The accounting policies and notes on pages 38 to 45 form part of these financial statements.

Statement of Financial Position as at 31 March 2014

	Notes	31 March 2014 £000	31 March 2013 £000
Non-current assets:			
Property, plant and equipment		18,690	20,125
Intangible assets	7.2	7,355	5,222
Heritage assets	8	73,239	61,400
Agricultural biological assets		165	154
Trade and other receivables		0	5
Total non-current assets		99,449	86,906
Current assets:			
Inventories		90	97
Trade and other receivables	11	1,550	4,566
Cash and cash equivalents	12	21,176	32,228
Total current assets		22,816	36,891
Total assets		122,265	123,797
Current liabilities:			
Trade and other payables	13.1	(39,878)	(54,000)
Pension Provision		(14)	(6)
Other provisions		(377)	(1,798)
Total current liabilities		(40,269)	(55,804)
Total assets less current liabilities		81,996	67,993
Non-current liabilities:			
Provisions		(418)	(1,109)
Pension liabilities		(278)	(238)
Other payables	13.2	(3,623)	(4,308)
Total non-current liabilities		(4,319)	(5,655)
Assets less liabilities		77,677	62,338
Taxpayers Equity			
General Fund		11,721	(24,563)
Revaluation Reserve		65,956	54,632
Capital Reserve		-	32,269
		77,677	62,338

The accounting policies and notes on pages 38 to 45 form part of these financial statements.



David Webster
Accounting Officer and Chief Executive

19 June 2014

Statement of Cash Flows for the year ended 31 March 2014

	Notes	2013/14 £000	2012/13 £000
Cash flows from operating activities			
Net expenditure		(188,184)	(187,113)
Adjustment for non cash items			
Depreciation & amortisation	7.1a & 7.2a	3,210	4,190
Impairment	10	249	1957
(Surplus)/ loss on disposal of assets net of Proceeds		895	1,409
Write backs net of provisions provided for in year		(1,134)	(394)
Exchange (loss) / gain		(11)	30
Decrease in trade and other receivables	11	3,022	1,038
Decrease/(Increase) in inventories		6	(11)
(Decrease) / Increase in trade payables*	13.1	(14,468)	11,296
Use of provisions		(930)	(1,772)
Net cash outflow from operating activities		(197,345)	(169,370)
Cash flows from investing activities			
Purchase of property, plant and equipment**	7.1	(1,025)	(1,935)
Purchase of intangible assets	7.2	(3,448)	(2,885)
Purchase of non-current heritage assets	8	(548)	(10)
Purchase of agricultural biological assets		(36)	(80)
(Decrease) in non-current payables	13.2	(685)	(2,825)
Proceeds of disposal of property, plant and equipment		69	405
Net cash outflow from investing activities		(5,673)	(7,330)
Cash flows from financing activities			
Interest		1	8
Grants from Parent department		191,965	189,469
Net financing		(11,052)	12,777
Net (decrease)/increase in cash and cash equivalents in the period	12	(11,052)	12,777
Cash and cash equivalents at the beginning of the period	12	32,228	19,451
Cash and cash equivalents at the end of the period	12	21,176	32,228

* The movement in trade payables includes £346k transfer of bequest income from reserves to deferred income

** The movement in purchases of PPE includes prior year asset additions of £65k

The accounting policies and notes on pages 38 to 45 form part of these financial statements.

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

	Notes	Capital Reserve £000	Revaluation Reserve £000	General Reserve £000	Total Reserves £000
Balance at 31 March 2013		32,269	54,632	(24,563)	62,338
Core Grant in Aid from Defra	SoCF	-	-	181,992	181,992
Catchment Sensitive Farming Grant from Defra	SoCF	-	-	5,843	5,843
Water Framework Directive from Defra	SoCF	-	-	3,170	3,170
Bolton Fell Moss Grant from Defra	SoCF	-	-	864	864
Other Defra Grants	SoCF	-	-	96	96
Transfers between reserves		(32,269)	(605)	32,874	-
Comprehensive Net Expenditure for the year	SoCNE	-	-	(188,184)	(188,184)
Transfer of bequests fund to deferred income		-	-	(371)	(371)
In year revaluations		-	11,929	-	11,929
Balance at 31 March 2014		-	65,956	11,721	77,677

As there is no requirement for a Capital Reserve to be held separately, it was decided to merge the Capital Reserve with the General Reserve.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2013

	Notes	Capital Reserve £000	Revaluation Reserve £000	General Reserve £000	Total Reserves £000
Balance at 31 March 2012		35,203	51,515	(30,009)	56,709
Core Grant in Aid from Defra	SoCF	-	-	179,242	179,242
Catchment Sensitive Farming Grant from Defra	SoCF	-	-	6,158	6,158
Water Framework Directive from Defra	SoCF	-	-	3,270	3,270
Defra Capital Contribution	SoCF	-	-	203	203
Bovine TB Grant from Defra	SoCF	-	-	596	596
Transfers between reserves		-	(163)	203	40
Comprehensive Net Expenditure for the year	SoCNE	-	-	(187,113)	(187,113)
Non current asset movements		(2,934)	-	2,894	(40)
Increase in bequests		-	-	(7)	(7)
In year revaluations		-	3,280	-	3,280
Balance at 31 March 2013		32,269	54,632	(24,563)	62,338

2012/13 Grant-in-Aid has been split to separate core GiA funding from other grant funding from Defra.

Notes to the Financial Statements

1 Statement of accounting policies

Basis of accounting

These Financial Statements have been prepared in accordance with the 2013/14 *Government Financial Reporting Manual* (FReM) issued by H M Treasury and the accounts direction issued by the Secretary of State for Defra, in accordance with Schedule 1, Sections 23 and 24 of the Natural Environment and Rural Communities Act 2006. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

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

1.1 Significant judgments and estimation uncertainty

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

1.1.1 Indexation of Non-Current Assets & Heritage Assets

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

1.1.2 Employee Benefit Accrual

Natural England accounts for unused annual leave as at 31 March 2014 in accordance with IAS 19 'employee benefits'. This is included as an accrual and the movement in year is recognised as an expense within staff member costs at the reporting date.

1.2 Accounting Convention

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

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

1.3.1 Recognition and valuation

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

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

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

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

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

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

1.3.2 Service Concession Arrangements (IFRIC12)

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

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

1.4 Depreciation

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

■ Freehold buildings	50 years
■ Improvements to leasehold buildings	10 years
■ Computer equipment	3 to 5 years
■ Plant and other equipment	5 to 15 years
■ Vehicles	10 years

For 2013/14 we have reviewed and amended the standard expected useful lives for both vehicles and plant and other equipment.

Due to necessity and good maintenance vehicle lives have been extended to an average of nearer 10 years. For this reason the depreciation policy has been adjusted accordingly with estimated useful lives increased from 5 years to 10 years.

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

1.5 Intangible Non-Current Assets and Amortisation

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

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

1.6 Research and Development

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

1.7 Heritage assets

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

NNRs are defined as land that is held in support of our strategic outcome to support a healthy natural environment and continue to ensure that our rich biodiversity thrives across the landscape, with ecosystems and habitats resilient to climate change. Although NNRs are open to the public for quiet recreation, they are held principally for their contribution to knowledge and culture. Our NNRs meet the criteria for heritage assets.

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

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

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

Further details around the ownership and management of our NNRs are shown in Note 8.

1.7.1 Valuation

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

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

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

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

1.7.2 Acquisitions

Acquisitions are made by purchase or donation. Purchases are initially recorded at cost and donations are recorded at current value ascertained by Natural England’s internal valuers with reference, where possible, to commercial market prices. The values of donated assets are reflected in general fund.

1.8 Impairment

Natural England reviews its assets annually to identify those where the recoverable amount of assets falls below their carrying amount, as a result of either a fall in value owing to market conditions or a loss in economic benefit. In line with an adaptation in the FReM, any

loss of economic benefit is recognised in full as expenditure in the SoCNE. In order to align the balance in the revaluation reserve with that which would have resulted through strict application of IAS 36, an amount up to the value of the impairment is credited to the SoCNE for the individual assets concerned. Downward revaluations, resulting from general changes in market value, are charged against the accumulated balance in the revaluation reserve. Any amount in addition to this is recognised as impairment and recorded in the Statement of Comprehensive Net Expenditure.

1.9 Financial Instruments

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

1.9.1 Financial Assets and liabilities

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

1.9.2 Available Financial Assets for Sale

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

1.9.3 Financial Liabilities

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

1.9.4 Loans and receivables

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

1.9.5 Managing Risk in Financial Instruments

Natural England seeks to eliminate or minimise its exposure to interest rate and exchange rate risk by not making investments other than those described in Note 9 and by making formal agreements with partners as to how shortfalls or surpluses will be covered. Liquidity risk is managed through the management of GIA funding in accordance with the Financial Memorandum.

1.10 Taxation

Natural England is a body corporate. Should any investment income be earned or trading profits received we would be liable to Corporation Tax. During 2013/14 there was no liability for Corporation Tax.

1.11 Value added Taxation (VAT)

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

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

1.12 Grant in Aid (GIA)

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

1.13 Grants Receivable

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

1.14 Grants Payable

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

1.15 Income

Operating income relates directly to the operating activities of Natural England.

Income is recognised in accordance with IAS18 and net of VAT, and includes National Lottery grants, contributions from conservation partners, accrued and deferred income, and income from National Nature Reserves.

1.16 Cash and Cash Equivalents

Natural England uses the Government Banking Service (GBS – see note 12 for further information) for all its accounts and manages them in accordance with H M Treasury's Banking Stewardship Guidance. Cash and cash equivalents include cash in hand and deposits with any

qualifying financial institution, repayable on demand or maturing within three months of the date of acquisition and which are subject to an insignificant risk of change in value.

1.17 Short Term Investments

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

1.18 Treatment of Foreign Exchange Differences

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

1.19 Employee Benefits

1.19.1 Pension Arrangements

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), full details of which can be found in note 4.4 and the Remuneration Report.

Although the PCSPS is a defined benefit scheme, those covered by the scheme recognise the cost of the elements on a systematic and rational basis over the period during which it benefits from employees' services, by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

From 2006 to 31 December 2013 the Chair was entitled to a pension scheme but was prohibited from joining the PCSPS. Individual schemes were set up, described as "by analogy" to the PCSPS. Any ongoing liability arising from this arrangement is borne by Natural England. The liabilities arising under this arrangement have been accounted for and disclosed in accordance with IAS 19 "Employee Benefits".

1.19.2 Early Departure Costs

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

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

1.19.3 Other Employee Benefits

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

1.20 Leases

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

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

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

Natural England has an imputed finance lease commitment. See notes 7 and 15.3 for details relating to the IBM Right of use service concession arrangement (IFRIC 12).

1.21 Provisions

Natural England provides for obligations arising from past events where it is probable that it will be required to settle the obligation and a reliable estimate can be made. This is in accordance with IAS 37.

1.22 Contingent Liabilities

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

2 Impending Application of Newly Issued Accounting Standards Not Yet Effective

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

- IFRS 13 Fair Value Measurement.
- Application of the new Group Accounting standards (IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities, IAS 27, Separate Financial Statements and IAS 28, Investments in Associates and Joint Ventures.

These standards have not been adopted by Natural England ahead of their implementation date. Natural England does not expect any of the new standards to have a significant impact on its accounts.

3 Analysis of Net Expenditure by Segment

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

■ People, Landscape & Biodiversity

The Access and Engagement function’s responsibilities are rooted in Natural England’s general purpose relating to:

- understanding and enjoyment of the natural environment
- promoting access and encouraging open-air recreation
- securing the provision and improvement of facilities for study

The External Affairs team works to get the right message to the right people at the right time, both externally and internally.

The Landscape and Biodiversity function sets the vision and framework for the delivery of Natural England’s landscape and biodiversity remit. The function brings together expertise, evidence, delivery and monitoring, as well as the key inter-relationships and dependencies between it and other functions, especially Land Management, Land Use and Access and Engagement.

■ Customers & Land Management

The Customer Services Function is responsible for delivery across agri-environment schemes, wildlife licensing and land use planning consultations.

The Land Management function provides the ownership, accountability and expertise within Natural England for the delivery of sustainable land management to achieve a healthy natural environment.

■ Science, Evidence & Advice

The Evidence Function has a pivotal role in obtaining, developing and communicating the evidence that Natural England needs to deliver its work, and in assuring the quality of the evidence we collect and use through application of the Evidence Standard.

The Land Use Function leads on the delivery of Natural England’s work with the terrestrial planning system. Our Marine Function leads on offshore development.

■ Corporate Services

The Corporate Services group is responsible for the following work areas:

- Estates and Procurement
- Finance (including Audit) & Legal
- Organisation Development (including Health and Safety)
- Performance and Standards
- Systems, Knowledge and Information (SKI)

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

	Operating Segment				Total £000
	People, Landscape & Biodiversity £000	Customer & Land Management £000	Science, Evidence & Advice £000	Corporate Services £000	
Staff Costs	19,135	39,198	21,871	12,324	92,528
Non pay running & other operating costs	1,665	2,704	2,294	5,581	12,244
Genesis	-	21,827	-	-	21,827
IBM IT Contract	-	-	-	21,612	21,612
Estates & Shared Services	-	-	-	9,677	9,677
Programme & Grant expenditure	20,321	4,553	10,250	1,773	36,897
Depreciation & Amortisation	-	-	-	3,210	3,210
Total Expenditure	41,121	68,282	34,415	54,177	197,995
Income	(7,749)	(421)	(1,228)	(413)	(9,811)
Net Expenditure	33,372	67,861	33,187	53,764	188,184

Our IBM IT contract and Estates/Shared Services support our activities across the organisation. Costs are held within Corporate Services, rather than being allocated across the business.

3.2 Statement of Comprehensive Net Expenditure for the year ended 31 March 2013 by operating segment

	Operating Segment				Total £000
	People, Landscape & Biodiversity £000	Customers & Land Management £000	Science, Evidence & Advice £000	Corporate Services £000	
Staff Costs	18,038	36,706	19,730	12,031	86,505
Non pay running & other operating costs	1,663	2,922	2,221	6,680	13,486
Genesis	-	22,497	-	-	22,497
IBM IT Contract	-	-	-	20,240	20,240
Estates & Shared Services	-	-	-	11,234	11,234
Programme & Grant expenditure	24,512	7,104	7,801	3,274	42,691
Depreciation & Amortisation	-	-	-	4,190	4,190
Total Expenditure	44,213	69,229	29,752	57,649	200,843
Income	(10,505)	(897)	(1,016)	(1,312)	(13,730)
Net Expenditure	33,708	68,332	28,736	56,337	187,113

2012/13 spend has been reclassified to extract £5.3m of programme spend from non-pay running and other operating costs to better reflect the business and to ensure information is comparative year on year.

£0.2 of impairment costs have been reclassified from depreciation & amortisation to non-pay running costs.

4.1 Staff costs

	2013/14 £000	2012/13 £000
Permanent & Fixed Term Appointments salaries and allowances	66,510	66,587
Employer Superannuation Payment	12,411	11,597
Partnership pension contributions	112	89
Permanent & Fixed Term Appointments social security costs	5,127	5,053
Agency and temporary staff	4,475	3,674
Inward secondees	100	16
Temporary staff social security	74	76
Temporary staff superannuation ^{Note a}	144	-
Other staff costs	323	314
Less recoveries in respect of outward secondments	(1,193)	(613)
Early retirement and severance costs (Note 4.3)	4,445	(288)
Total net costs	92,528	86,505

Note a: Our Fixed Term Appointment (Temporary) staff have been entitled to a pension from 1 April 2013 following Government changes to pension entitlement.

Please refer to Remuneration Report for Senior Staff and Board Member pay and benefits.

4.2 Staff numbers (full-time equivalent)

	2013/14 No.	2012/13 No.
The average number of whole-time equivalent persons employed during the year was as follows:		
Permanent staff & Fixed Term Appointments		
Executive/Director	22	22
Manager/Principal Specialist/Adviser	192	175
Team Leader/Senior Specialist/Adviser	525	501
Group Coordinator/Lead Adviser/Specialist	849	844
Adviser/Support Adviser	583	615
	2,171	2,157
Temporary and contract staff		
Executive/Director	-	-
Manager/Principal Specialist/Adviser	-	1
Team Leader/Senior Specialist/Adviser	1	1
Group Coordinator/Lead Adviser/Specialist	14	11
Adviser/Support Adviser	186	166
	201	179
Total	2,372	2,336

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

Exit package cost band	Total number of exit packages by cost band	
	2013/14	2012/13
<£10,000	2	-
£10,000 - £25,000	23	-
£25,000 - £50,000	42	-
£50,000 - £100,000	29	-
£100,000 - £150,000	5	-
£150,000 - £200,000	-	-
Total number of exit packages by type	101	-
Total resource cost (£000)	4,445	-

In order to meet our reduced future funding we ran an approved Voluntary Exit Scheme during 2013/14. Staff and unions were fully consulted with, through open and honest communications. During this exercise no members of the Executive Board have taken voluntary exit.

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

4.4 Pension commitments

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

For 2013/14, employer's contributions of £12.4m were payable to the PCSPS (2012/13 £11.6m) at one of four rates in the range 16.7% - 24.3% of pensionable pay, based on salary bands. The Scheme Actuary usually reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of benefits accruing during 2013/14 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £112k were paid to one or more of the panel of three appointed stakeholder pension providers (2012/13 £89k). Employee contributions are age-related and range from 3% - 12.5% of pensionable pay. The Employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable pay. In addition, employers also contribute a further 0.8% of pensionable pay to the PCSPS, to cover the cost of the future provision lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the Statement of Financial Position date were £11k (2012/13 £19k).

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

Civil Service Pensions

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

Employee contributions are salary-related, ranging between 1.5% - 6.25% of pensionable earnings for classic and 3.5% and 8.25% for premium, classic plus and nuvos. Increased contributions will apply from 1 April 2014. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on pensionable earnings during the period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

Further details about the Civil Service Pension arrangements can be found at the website: www.civilservice.gov.uk/pensions.

5 Expenditure

	Notes	2013/14 £000	2012/13 £000
Programme Expenditure		14,268	15,846
Legal Expenditure		2,493	2,020
Programme expenditure – Research & Development		5,084	7,120
Programme expenditure – Other Operating lease rentals		796	750
Grant Expenditure		14,256	16,955
Genesis system		21,827	22,497
Subtotal – Programme & Grant expenditure		58,724	65,188
IBM IT contract recharges		21,612	20,240
Estates recharges from Defra		6,749	7,762
Staff travel and subsistence costs		4,440	4,215
Shared service recharges		2,928	3,472
IT enhancements & services		1,035	1,972
Staff support costs		1,599	1,527
Estates management costs		1,817	2,449
Printing and stationery		400	132
Vehicle costs		1,061	1,041
External auditors remuneration		120	130
Internal audit programme		72	44
Other operating costs *		840	119
Subtotal		42,673	43,103
Non-Cash items			
Impairments charged to net expenditure	10	39	190
Loss / (Profit) on disposal of Property, Plant & Equipment		826	1,409
Bad Debt Provision		(5)	14
Provision provided for in year		-	244
Depreciation & Amortisation	7.1a & 7.2b	3,210	4,190
Total Non Cash Items		4,070	6,047
Total Expenditure		105,467	114,338

No payments were made to the external auditor for non-audit work.

2012/13 spend has been reclassified to extract further programme spend from operating costs to better reflect the business and to ensure information is comparative year on year.

*Impairment of £0.2m (£1.8m 2012/13) IBM Service Concession Asset (IFRIC 12) is included within other operating costs.

6 Income

	2013/14 £000	2012/13 £000
Income from activities		
Big Lottery Fund (restricted income)	5,242	8,068
Contributions from conservation partners	568	753
Single Farm Payment	1,074	757
Other Programme income	496	750
Income from National Nature Reserves	677	849
Legal receipts ^{Note a}	100	1,090
Sub-total income from activities	8,157	12,267
Other income		
Contributions, rents and recharges	875	1,448
Other European Union Receipts	410	7
Commercial Income	368	-
Sub-total other income	1,653	1,455
	9,810	13,722

Note a: In 2013/14 amounts received from Defra which were used to deliver our core business, and were previously classified as income, have been treated as grant in aid. For 2013/14 this totals £864k legal income and £96k project and other income. These amounts can be seen in the Statement of Changes in Taxpayers' Equity.

7 Non-current assets

All freehold land (except non-operational heritage assets) and buildings assets are stated at fair value, and are revalued every 5 years by professionally qualified valuers, on the basis of value in use, in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual (the Red Book). This revaluation was carried as at 31/03/11 by the Valuation Office Agency, by their Royal Institute of Chartered Surveyors qualified staff.

In between professional revaluations, values are updated annually where material, using indices. We have used indices provided by the Royal Institute of Chartered Surveyors (RICS) for land and the Department of Business Skills and Innovation (BIS) for buildings.

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

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

7.1a Property, plant and equipment

	Land £000	Buildings £000	Leasehold improvements £000	Plant & Machinery £000	Vehicles £000	Furniture & Fittings £000	Information Technology £000	Assets Under Construction (AUC) £000	Service Concessions Assets £000	Total £000
Gross Cost or valuation:										
Balance at 1 April 2013	7,977	3,217	2,845	4,672	3,173	4,054	2,642	359	10,632	39,571
Additions	-	486	-	53	10	286	-	125	-	960
Reclassifications	(84)	(66)	-	13	(35)	-	-	-	-	(172)
Transfers from AUC	-	282	16	-	-	-	-	(298)	-	-
Disposals	-	-	(513)	(211)	(489)	(641)	(2,004)	(61)	-	(3,919)
Revaluation	774	21	-	-	-	-	-	-	-	795
Impairment	-	(96)	(29)	-	-	-	-	-	(210)	(335)
At 31 March 2014	8,667	3,844	2,319	4,527	2,659	3,699	638	125	10,422	36,900

Depreciation:										
Balance at 1 April 2013	-	276	925	3724	2176	1,594	2108	-	8,643	19,446
Charged in year	-	131	269	153	124	759	133	-	407	1,976
Reclassifications	-	22	-	13	(35)	-	-	-	-	-
Disposals	-	-	(206)	(200)	(489)	(372)	(1,840)	-	-	(3,107)
Revaluation	-	(84)	-	-	-	-	-	-	-	(84)
Impairment	-	(8)	(13)	-	-	-	-	-	-	(21)
At 31 March 2014	-	337	975	3,690	1,776	1,981	401	-	9,050	18,210
Net Book Value:										
At 31 March 2014	8,667	3,507	1,344	837	883	1,718	237	125	1,372	18,690
At 31 March 2013	7,977	2,941	1,920	948	997	2,460	534	359	1,989	20,125

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

7.1b Property, plant and equipment

	Land £000	Buildings £000	Leasehold improvements £000	Plant & Machinery £000	Vehicles £000	Furniture & Fittings £000	Information Technology £000	Assets Under Construction (AUC) £000	Service Concessions Assets £000	Total £000
Gross Cost or valuation										
Balance at 1 April 2012	7,239	2,786	3,727	4,509	4,074	4,716	3,080	-	12,399	42,530
Additions	203	240	(63)	282	506	408	-	359	-	1,935
Disposals	-	-	(997)	(119)	(1,407)	(1,070)	(438)	-	-	(4,031)
Revaluation	582	191	178	-	-	-	-	-	-	951
Impairment	(47)	-	-	-	-	-	-	-	(1767)	(1,814)
At 31 March 2013	7,977	3,217	2,845	4,672	3,173	4,054	2,642	359	10,632	39,571
Depreciation										
Balance at 1 April 2012	-	168	731	3,553	3,121	1,538	1,664	-	7,855	18,630
Charged in year	-	91	353	290	368	445	605	-	788	2,940
Disposals	-	-	(217)	(119)	(1,313)	(389)	(161)	-	-	(2,199)
Revaluation	-	17	58	-	-	-	-	-	-	75
Impairment	-	-	-	-	-	-	-	-	-	-
At 31 March 2013	-	276	925	3,724	2,176	1,594	2,108	-	8,643	19,446
Net Book Value:										
At 31 March 2013	7,977	2,941	1,920	948	997	2,460	534	359	1,989	20,125
At 31 March 2012	7,239	2,618	2,996	956	953	3,178	1,416	-	4,544	23,900

Notes: All assets are owned apart from Service Concessions Assets
As at 31st March 2013 there were no assets held for sale

7.2a Intangible assets

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

7.2b Intangible assets

	Software licences £000	Assets Under Construction (AUC) £000	Total £000
Cost or valuation			
At 1 April 2012	5,551	48	5,599
Additions	2,885	-	2,885
Disposals	(16)	-	(16)
Transfer from AUC	48	(48)	-
At 31 March 2013	8,468	-	8,468
Amortisation			
At 1 April 2012	2,008	-	2,008
Charged in year	1,250	-	1,250
Disposals	(12)	-	(12)
At 31 March 2013	3,246	-	3,246
Net Book Values:			
at 31 March 2013	5,222	-	5,222
at 31 March 2012	3,543	48	3,591

8 Non-current heritage assets

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

NNRs were initially established to protect sensitive features and to provide 'outdoor laboratories' for research. Their purpose has since been widened by the Natural Environment and Rural Communities Act 2006 to include quiet recreation where this doesn't conflict with nature conservation. As well as managing some of our most pristine habitats, our rarest species and our most significant geology, most reserves now offer great opportunities to the public as well as schools and specialist audiences to experience England's natural heritage. To visit an NNR or to see our management policies, see details on our website: www.naturalengland.org.uk.

As at 31 March 2014 there were 224 NNRs in England. Of these, 128 are managed by Natural England, which either owns the freehold [19,570 ha] or holds a lease [29,714 ha] or Nature Reserve Agreement [15,389 ha] on the land declared as NNR. In addition, Natural England has acquired the freehold of 75 ha of land in the 2013/14 financial year which will be declared NNR in 2014/15. 80 NNRs are wholly managed by an external Approved Body and 16 NNRs are managed by both Natural England and one or more Approved Bodies. The value of the NNRs that are not owned by Natural England has not been reflected in these financial statements.

The current net book value of donated Heritage Assets is £2m.

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

The area of declared NNRs in England is as follows	31 March 2014 Hectares	31 March 2013 Hectares
Land owned by Natural England	19,671	19,570
Land leased by Natural England	29,714	29,714
Land under Nature Reserve Agreements	15,389	15,389
NNRs managed wholly or partly by Approved Bodies	29,691	29,691
	94,465	94,364

9 Financial instruments

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

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

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

Liquidity risk

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

Interest rate risk

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

Credit risk

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

Foreign currency risk

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

Financial assets/liabilities

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

10 Impairment

	2013/14 £000	2012/13 £000
Charge to Statement of Comprehensive Net Expenditure *	249	1,957
Charge to Revaluation Reserve	65	887
	314	2,844

* Includes write down of IBM Service Concession Asset in accordance with IFRIC 12

Note: A breakdown of total impairment can be seen in note 7.1a (2013/14) and notes 7.1b and 8 (2012/13).

11 Trade and other receivables

11.1 Amounts falling due within one year:

	31 March 2014 £000	31 March 2013 £000
Accrued income	666	3,051
Trade receivables	505	862
Other receivables	40	48
Prepayments	339	605
	1,550	4,566

11.2 Analysis of receivables by organisation type

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

Intra-Government Balances (Accounts Receivable):	Balances due on 31 March 2014 £000	Balances due on 31 March 2013 £000
Balances with other central government bodies	800	3,599
Balances with local authorities	85	114
Balances with bodies external to government	665	853
Total receivables & accrued income	1,550	4,566

12 Cash and cash equivalents

	31 March 2014 £000	31 March 2013 £000
Balance at 1 April	32,228	19,451
Net (Decrease)/Increase in cash and cash equivalent balances	(11,052)	12,777
	21,176	32,228

13 Trade and other payables

13.1 Amounts falling due within one year:

	31 March 2014 £000	31 March 2013 £000
Trade Payables and other payables	2,780	15,167
Accruals	34,047	36,011
Deferred Income	680	475
VAT payables	101	38
Tax and social security payables	1,576	1,670
IBM Right of use assets	694	639
	39,878	54,000

13.2 Amounts falling due after one year:

	31 March 2014 £000	31 March 2013 £000
IBM Right of Use assets (service concession)	1,840	2,256
Other payables	1,783	2,052
	3,623	4,308

Defra has a contract with IBM. For relevant information regarding the value of the IT service concession asset please refer to note 7.1.

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

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

The total future liability to pay for the 'right of use' assets is £2.5 m (2012/13 £2.9 m), of which the current liability (included within note 13.1 above, and 15.3) is £0.7 m (2012/13 £0.6 m), the non-current liability (included within note 13.2 above, and 15.3) is £1.8m (2012/13 £2.3 m).

13.3 Analysis of payables by organisation type

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

Intra-Government Balances	31 March 2014		31 March 2013	
	Amounts falling due within one year £000	Amounts falling due after more than one year £000	Amounts falling due within one year £000	Amounts falling due after more than one year £000
Balances with other central government bodies	14,027	1,840	25,082	2,256
Balances with local authorities	3,619	-	5,166	-
Balances with Public Corporations	30	-	183	-
Balances with bodies external to government	22,202	1,783	23,569	2,052
Total payables & accrued income	39,878	3,623	54,000	4,308

14 Capital Commitments

Contracted capital commitments at 31 March 2014 not otherwise included in these financial statements are as follows;

Obligations under capital Commitments Non cancellable contracts:	31 March 2014 £000	31 March 2013 £000
Property, plant and equipment	-	250
Intangible assets	-	939

15 Commitments under leases

15.1 Operating leases

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

Obligations under operating leases comprise:	31 March 2014 £000	31 March 2013 £000
Land		
Not later than one year	566	479
Later than one year and not later than five years	1,845	1,806
Later than five years	3,577	2,986
	5,988	5,271
Buildings		
Not later than one year	144	55
Later than one year and not later than five years	403	202
Later than five years	291	668
	838	925

15.2 Defra properties occupied by Natural England

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

Although MOTOs & MOTUs are not a legal lease arrangement, the commercial reality under IFRIC 4 is that these arrangements are consistent with a lease and as a going concern Natural England should reflect the underlying commitment to cover rental payments and the need for on-going provision of accommodation for the duration of the terms of the MOTU arrangement. Natural England occupies 26 properties subject to MOTU arrangements, with an average commitment term of three years.

Within the Statement of Comprehensive Net Expenditure the full cost of occupation is reflected in relation to buildings that are either owned or leased by Defra. The costs are proportionate to occupation and include rates, utilities, management overheads, facilities management and associated capital charges. For leasehold properties this also includes rental costs. The estimated value of non-specialised freehold property owned by Defra but occupied by Natural England is £1.1m (£1.4 m 2012/13).

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

Future obligations under MOTU agreements comprise:	31 March 2014 £000	31 March 2013 £000
Buildings		
Not later than one year	2,139	2,140
Later than one year and not later than five years	5,404	5,656
Later than five years	1,391	4,298
	8,934	12,094

Land		
Not later than one year	1	1
Later than one year and not later than five years	3	3
Later than five years	35	36
	39	40

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

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

Obligations for the following periods comprise:	31 March 2014 £000	31 March 2013 £000
Rentals due within one year	742	685
Rentals due within two to five years	2,238	2,860
Rentals due thereafter	-	-
	2,980	3,545
Less interest element	(446)	(650)
Present value of obligations	2,534	2,895

Present value of obligations for the following periods comprise:	31 March 2014 £000	31 March 2013 £000
Rentals due within one year	694	639
Rentals due within two to five years	1,840	2,256
Rentals due thereafter	-	-
Present value of obligations	2,534	2,895

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

16 Commitments under Private Finance Initiative (PFI) contracts

16.1 Off-balance sheet

An off-balance sheet PFI contract was signed by Defra in February 2001. The scheme involved the grant of a 129 year ground lease to a PFI partner who constructed an office building for Defra, occupied in 2003, subject to a 30 year lease to 31 March 2033. The building is not an asset of the Department and will not revert to Defra at the end of the lease term. The freehold land subject to the ground lease is a Defra asset. Defra occupies 0.39% of the building and recharges other occupiers for their share of the costs. To ensure consistency across the Defra family, Natural England is disclosing this asset as a PFI commitment as Natural England occupies 16.9% (19.7% 2012/13) of the site.

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

	31 March 2014 £000	31 March 2013 £000
Not later than one year	842	971
Later than one year and not later than five years	3,525	3,994
Later than five years	15,961	19,792
Present value of obligations	20,328	24,757

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

The total amount charged to the Statement of Comprehensive Net Expenditure in respect of off-balance sheet PFI transactions was £0.8m (£1.0 m 2012/13).

17 Other financial commitments

Natural England has non-cancellable contracts in relation to estates facilities management (FM) costs (Interserve contract) due to occupation of property and in relation to Business Continuity Planning. The payments are consistent with arrangements containing a lease as defined by IFRIC 4. The commitment for the Interserve FM contract is likely to reduce as the size of the Estate reduces through rationalisation.

	31 March 2014 £000	31 March 2013 £000
Not later than one year	883	1,950
Later than one year and not later than five years	3,525	5,052
Later than five years	4,406	7,578
Present value of obligations	8,814	14,580

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

These payments combined are as follows:

	31 March 2014 £000	31 March 2013 £000
Not later than one year	19,163	19,368
Later than one year and not later than five years	53,021	72,066
Present value of obligations	72,184	91,434

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

Natural England has the following contingent liabilities;

	31 March 2014 £000	31 March 2013 £000
Claims and Litigation	-	20

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

Natural England has entered into a management and purchase agreement with a private company relating to land at Bolton Fell Moss, Cumbria. Defra is holding a provision in its 2013/14 accounts for the costs of the upcoming tribunal case and the cost of compulsory purchase of land.

18.2 Losses and Special payments

Natural England has had no losses or special payments over £300k, individually or in total, throughout 2013/14.

19 Events after the Reporting Date

Natural England's Chief Executive Officer, David Webster, has resigned his post and will leave Natural England on 18 July 2014. Recruitment plans for a replacement Chief Executive Officer are underway.

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

20 Related party disclosures

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

Member / Senior staff Related Party Disclosures	Corporate related body	Total payments made (Goods & Services) £000	Total income received £000	Amount owed by Natural England at 31 March 2014 £000	Amount owed to Natural England at 31 March 2014 £000
David MacDonald	RSPB	12	-	-	-
Poul Christensen & David Hill	Joint Nature Conservation Committee (JNCC)	267	-	-	-
Doug Hulyer	Surrey Wildlife Trust	26	-	-	-
	Woodchester Mansion Trust	3	-	-	-
Andy Wilson	North Yorkshire Moors National Park	94	-	-	-
Nigel Reader	Natural Resources for Wales	2	111	-	5
	Marine Management Organisation	-	19	-	2

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

Annex 1: Progress against our Key Performance Indicators

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

Our commitment expressed in the 2013/14 Corporate Plan Update highlighted the 19 Key Performance Indicators (KPIs) that we would report on, both to our Board and Defra, on a quarterly basis.

We publish these quarterly reports on our website and report high level progress through our top six KPIs to the Secretary of State and Defra's Supervisory Board. The indicators span each of our four Outcomes, plus Excellent Public Body and the subsequent extracts record our delivery against the 2013/14 targets.

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

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

KEY

Our 2013/14 Performance

Our performance across the 19 KPIs in our Corporate Plan Update shows that one was assessed as 'Red'; one was assessed as 'Amber Red'; five were 'Amber Green'; and twelve were 'Green'. Therefore, 90 per cent of the KPIs in our Corporate Plan Update are either 'Green' or 'Amber Green' at the end of Quarter Four.

Year-End KPI Performance Summary Scorecard

A healthy well-functioning natural environment	2013/14 Performance	Sustainable use of the natural environment	2013/14 Performance
Large scale conservation initiatives	AMBER GREEN	Support farm businesses & land managers	GREEN
Protected sites	RED	Water Framework Directive	AMBER GREEN
Priority habitats	GREEN	Our regulation supports growth	GREEN
Priority species	GREEN	Sustainable development solutions	GREEN
Diversity and character of England's landscape	GREEN	Our regulatory casework	GREEN
Protecting wildlife and landscapes through designation	AMBER GREEN		
		A secure environmental future	2013/14 Performance
People are inspired to value and conserve the natural environment	2013/14 Performance	Our evidence base	AMBER RED
Our National Nature Reserves	GREEN	Our evidence standard	AMBER GREEN
National Trails	AMBER GREEN		
Delivering coastal access	GREEN	Excellent Public Body	2013/14 Performance
		Staff knowledge and expertise	GREEN
		Excellent customer Service	AMBER GREEN
		Managing our budget	GREEN

Note: Our Top Six Key Performance Indicators we report monthly to Defra are headed in bold in the above table.

Outcome one: A healthy, well functioning natural environment

Promote large scale conservation initiatives for public benefit

Metrics:

- 1) We deliver outcomes through local partnerships including Nature Improvement Areas
- 2) 20 Projects employing the ecosystem approach

2013/14 Performance

AMBER GREEN

We delivered 28 landscape-scale projects including 12 Nature Improvement Areas (NIAs) with some minor work on four projects deferred into 2014/15. We have worked closely with Defra to develop future funding support for the NIA approach and from 2015, the New Environmental Land Management Scheme facilitation funding will promote and encourage farmer-led collaboration at a landscape scale.

12 Defra-funded NIA projects completed the ecosystem approach self-assessment and a further six will have done so by June 2014 just behind our year-end target of 20 projects and this is the reason for our overall 'Amber Green' performance. These projects are now investigating future funding sources to enable them to continue after March 2015, when Defra funding will end. A number have received grants from, or are submitting applications to Heritage Lottery Fund, WREN and other funders. Our funding has been used as match funding to secure significant additional partner participation.

We have supported all Local Nature Partnerships (LNP) and helped them to promote the economic benefits of the environment in Local Economic Partnership (LEP) Structural and Investment Funding and Strategic Economic Plans. Our 'Key Facts' compilation of environmental economic benefits has been well-received by Defra and external partners.

Maintain and Improve the condition of protected sites (Top 6 KPI reported to Defra Supervisory Board)

Metrics:

- 1) 37 per cent of terrestrial SSSIs in favourable condition
- 2) 52 per cent of NNRs in favourable condition
- 3) 53 per cent of marine protected features in favourable or recovering condition
- 4) 47 per cent of terrestrial protected sites with conservation objectives
- 5) 20 per cent of marine protected areas with conservation objectives and associated advice

2013/14 Performance

RED

This KPI is 'Red' at year-end as we have only fully achieved one of our five metrics.

As part of our in-year performance review of this target, we considered the delivery of our key underpinning work – Conservation Objectives, Favourable Condition Tables (FCTs) and Marine Conservation Objective and associated advice packages. This resulted in a rebalancing of resources – with an increased focus on quality, to ensure that we invest in the evidence base we need to secure SSSI favourable condition in the longer term.

We agreed that to achieve this, staff development was a critical investment which we could not delay in pursuit of securing this year's target outputs. Our revised programme on the two metrics below was supported by the Secretary of State and Defra officials during the discussion of our performance at our November Ministerial Performance Review.

From an April baseline of 29 per cent, our predicted delivery of Conservation Objectives and FCTs was revised down in October 2013 in agreement with Defra to 43.9 per cent from our 47 per cent target to enable us to address quality control issues. At year-end we had delivered 41.2 per cent, slightly below this revised year-end target.

Our target for setting conservation objectives for marine sites was revised down from 20 to 3 per cent of sites in October 2013. We achieved this revised target, prioritising our delivery within the Liverpool City Deal area. This enabled us to ensure robust guidance was in place for the longer term delivery of objectives and advice for the remaining Marine Protected Areas.

We also fell slightly short of our year-end targets on the following two metrics.

51.72 per cent of National Nature Reserves are in favourable condition, slightly below our year-end target of 52 per cent. Gains during the year have been spread across the country.

52.9 per cent of marine protected areas are in favourable or recovering condition, following our completion of the planned site surveys and condition assessments of Marine Special Areas of Conservation and SSSIs. This is slightly below our year-end target of 53 per cent.

However, we successfully maintained 37.55 per cent of terrestrial Sites of Special Scientific Interest (SSSIs) in favourable condition above our target of 37 per cent for the year as a whole.

Maintain, improve and create priority habitats (Top 6 KPI reported to Defra Supervisory Board)

Metrics:

- 1) We maintain 690,000 hectares
- 2) We bring 14,000 hectares into recovery
- 3) We create 12,000 hectares

2013/14 Performance

GREEN

This year, we have achieved significant gains in priority habitat management and creation using our key delivery levers of agri-environment schemes and statutory land use planning and green infrastructure projects. The areas we were able to transfer from our classic environmental schemes into Higher Level Stewardship for the first time brought into recovery large areas of priority habitat outside of SSSIs, and particularly in upland areas.

We maintained our priority habitat condition baseline of 690,000 hectares and we brought over 44,000 hectares of priority habitat into recovery.

We created nearly 17,000 hectares of new priority habitat, largely from arable field margins which are starting to make a major contribution towards supporting farmland birds and our other biodiversity aims. However, our input and advice to planning casework and Green Infrastructure projects also secured 2,553 hectares of new priority habitat demonstrating the environmental benefits that we can achieve through our advisory levers.

Conserve threatened priority species and manage invasive non-native species

Metrics:

- 1) Implement a partnership programme for priority species
- 2) Implement Invasive Non-Natives control programme

2013/14 Performance

GREEN

We have met our Species Recovery Programme (SRP) targets working with our partners to deliver 53 projects with a total investment of £1 million. These projects are all contributing to the delivery of actions required to improve the status of S41 species. Highlights this year included the rediscovery of a population of 'cloud living spiders', surveys for rare bryophytes and establishment of a new project on rapidly declining moths.

We are working with Terrestrial Biodiversity Group members and across government to utilise the information from the published Taxon group commissions to maximise contributions to Outcome Three (Species) of Biodiversity 2020. We are using our evidence base to explore how we can best deploy our full range of levers, including on protected sites, to contribute to this outcome and so that we align the selection of SRP projects with this prioritisation approach.

We have recently secured a secondment to the food supply chain consultancy AB Sustain as their Biodiversity Manager. The secondee will be part of a project team that works with farmers supplying major retailers to make the best use of their existing agri-environment schemes for biodiversity and identify additional measures to improve biodiversity on their farms. Owen Paterson, Secretary of State commented at the Ecosystems Markets Task Force, One Year On event in March that "The Grocers (Major Retailers) are beginning to make a real difference in influencing farmers with their biodiversity commitments in a way that will go far beyond anything that can be achieved by government."

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

Metrics:

- 1) Our progress in reviewing Protected Landscapes Management Plans
- 2) We complete 159 National Character Area profiles

2013/14 Performance

GREEN

This year, we have supported management plan reviews for National Parks and Areas of Outstanding Natural Beauty (AONBs). Most AONB reviews have been completed or are nearing sign-off, though a few will continue into 2014/15. We are now working with some AONB units to secure external funding for implementation. During the year, we have participated in some excellent joint working to develop and apply National Character Area (NCA) profiles and an ecosystem approach.

By March 2014 all 159 NCA profiles had been completed, giving nationwide coverage for the whole of England. They were published on the Natural England website in early June 2014.

We appreciate the enormous contribution of our partners to help us complete the NCA profiles which will help local communities take action for their local areas and aid partnership working. The quality and ambition of our National Character Areas programme was recognised earlier in the year with an award from the Landscape Institute.

Protect wildlife and landscapes through designation

Metrics:

- 1) Our progress in reviewing Special Protection Areas (SPAs) and the SSSI series
- 2) Our Progress on Lakes/Dales National Park extension
- 3) We advise on 25 new Marine Protected Areas

2013/14 Performance

AMBER GREEN

We have made good progress in delivering our Designations Strategy work across a programme consisting of six designations work streams.

The Special Protection Areas (SPAs) review timetable has been revised by the Joint Nature Conservation Committee (JNCC) and a cross-agency project group is continuing to take this work forward. Our overall classification of terrestrial and marine Special Protection Areas (SPAs) for the year has included: one SPA classified, one proposed SPA out to consultation plus a further two marine SPAs out to consultation, though being impacted by ongoing resource issues affecting the marine Natura 2000 programme. In addition two proposed Special Areas of Conservation (pSACs) have been submitted to the EC as candidate SACs and one pSAC is out to consultation.

This year we confirmed eight SSSIs and notified five SSSIs. We have deferred seven of our planned SSSI notifications to 2014/15, as a result of adding two unplanned high risk notifications and managing the confirmation of three notifications which had complex and sustained objections, including Chattenden Woods and Lodge Hill SSSI. This is the reason for our year-end 'Amber Green' performance.

The Inspectors Report on the Lakes-Dales National Park extensions is currently being considered by the Secretary of State.

We have delivered revised advice on a first tranche of 25 inshore Marine Conservation Zones (MCZs) in 2013/14, which supported Defra's designation of 27 inshore and offshore MCZs in November. We have also established a new project to deliver advice on two further tranches of MCZs, and we have agreed a delivery timetable for advice on a second tranche of MCZs in 2014.

There are still significant challenges to the MCZ work to meet the timetable for the delivery of the next two tranches of MCZ work. We are also continuing to work with JNCC, the other country agencies, and Defra to support the development of a UK Marine Protected Areas (MPAs) network 'gap analysis' which will inform selection of future MPAs for designation.

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

Ensure our National Nature Reserves (NNRs) are excellent places for people to experience the natural environment

Metrics:

- 1) We meet public engagement standards on 90 NNRs
- 2) Continue our four year programme to dedicate our NNRs and improve higher rights, wherever practicable
- 3) We start 25 research projects on Natural England's NNRs

2013/14 Performance

GREEN

106 National Nature Reserves (NNRs) have now been signed off as meeting the Public Engagement Standard. This includes some new public engagement activities at some lesser known and used NNRs, thus broadening our outreach and potentially creating new opportunities for volunteer involvement.

We implemented two programmes to improve public access and engagement on our NNRs: the adoption of our public engagement standards and the delivery of open access dedication. We have now secured approval for four tranches of NNRs for access dedication. We have completed a detailed analysis of the spectrum of approaches for community engagement which will provide us with a valuable resource for our new local teams.

118 new research projects commenced this year. The majority are university projects, either stemming from an approach from a university department or from a suggestion on our NNR research web portal that has been taken up by a student.

Maintain and promote National Trails

Metrics:

- 1) 10 National Trails with effective unified delivery frameworks agreed
- 2) 100 per cent of National Trails with improving trail conditions (as defined in revised quality standards)

2013/14 Performance

AMBER GREEN

At year-end we had agreed eight National Trails with effective unified delivery frameworks. Our year-end performance is 'Amber Green' due to delays agreeing the delivery framework for the Ridgeway and Thames Path National Trails. We are working closely with all our trail partners on these and the remaining National Trails that did not form part of our 2013/14 target, to finalise agreements during 2014/15.

We completed baseline condition surveys on all trails against the updated Trails Standards agreed under the New Deal thereby delivering our 2013/14 milestone in relation to our target of 100 per cent of National Trails with improving trail conditions. We have agreed and implemented all monitoring systems.

Deliver Coastal Access

Metrics:

- 1) 750 kilometres of coast on which coastal access work has started since 2010
- 2) 300 kilometres of new coastal access route submitted to Secretary of State for approval

2013/14 Performance

GREEN

We have submitted proposals for 315 kilometres of the new coastal access route to the Secretary of State for approval and we remain on track to deliver our targets against the agreed seven year roll-out programme for the England Coast Path.

We have commenced work on route planning, design and consultations on 772 kilometres of coastal access work since 2010.

We were able to deliver these metrics after successfully obtaining Secretary of State approval for the revised delivery scheme for Coastal Access. This enabled us to achieve significant efficiency gains in the consultative process with our partners for new sections of the route by reducing the number of subsequent objections we received.

Outcome Three: Sustainable use of the natural environment

Support farm businesses and other land managers to deliver environmental outcomes (Top 6 KPI reported to Defra Supervisory Board)

Metrics:

- 1) HLS outcome measures achieved*
- 2) 60 per cent of priority options in ELS
- 3) 5,300 targeted farmers engaged in farm advice

*11,000 hectares of new agreements on SSSIs;

*488,000 hectares of BAP priority habitat maintained and created;

*49,000 hectares of farmland birds options maintained and created;

*148 Scheduled Monuments at risk protected through Environmental Stewardship;

*78 Environmental Stewardship agreements tailored for farmland butterflies.

2013/14 Performance

GREEN

We have met all five of our key Higher Level Stewardship (HLS) outcome measures detailed above. We have also increased the percentage of priority options in Entry Level Stewardship (ELS) to 61 per cent. Our delivery of these two metrics ended in December as we have moved into transition to the new RDPE (Rural Development Programme England).

Working closely with our customers, we successfully negotiated 2,000 new HLS agreements and 4,676 new or renewed ELS agreements in these nine months. During the same period, HLS coverage grew by approximately 17 per cent and ELS, even accounting for expiring agreements, grew by approximately 9 per cent.

In 2013/14, we targeted 2,985 customers for ELS Training and Information Project farm advice; we engaged 4,490 of our farmer customers in Catchment Sensitive Farming and 1609 customers through the Soils for Profit project.

Meet Water Framework Directive (WFD) objectives and reduce diffuse water pollution from agriculture

Metrics:

- 1) We include Natura 2000 Protected Area and Nature Improvement Area objectives in relevant WFD catchment plans
- 2) 91 per cent of our actions are underway for Natura 2000 Protected Areas in the 2013/14 River Basin Management Plan cycle one (RBMP1)
- 3) 12,000 additional SSSI hectares are covered by WFD GIA funded schemes

2013/14 Performance

AMBER GREEN

Our year-end target was to monitor progress with all 36 Diffuse Water Pollution Plans on Natura 2000 Protected Areas and to commence/complete actions as appropriate. Earlier in the year we secured an additional post funded by the Water Framework Directive (WFD) Grant in Aid Scheme to provide advice to local teams which helped us to drive this work forward. The reviews are now largely complete and the associated actions are currently being implemented for 35 Plans.

In 2013/14, we measured our progress implementing actions using remedies for all water dependent Natura 2000 Protected Areas rather than just those in first cycle River Basin Management Plans. At the start of the year, we increased the number of remedies we wanted to deliver in order to focus on the longer term Defra 2015 WFD target. At year-end, 86.3 per cent of our remedies are underway for water dependent Natura 2000 sites against a target of 91 per cent and is the reason for our year-end 'Amber Green' performance. This is a 15 per cent increase and comprises both local action and data validation.

Over 20,000 additional SSSI hectares are covered by WFD Grant in Aid funded schemes this year. In all we have funded 106 projects to understand and address water related pressures on 36 Natura 2000 Sites.

The 2013 Synergies Project reported last summer on how the Defra family could maximise benefits from the inter-relationships between Biodiversity 2020, flood and coastal management and WFD. We will continue to progress the key recommendations in 2014/15 as part of targeting the New Environmental Land Management Scheme and implementation of local synergies pilots under the Triennial Review Action Plan.

**Improve the efficiency and effectiveness of our statutory advice and regulation to support growth & protect the environment
(Top 6 KPI reported to Defra Supervisory Board)**

Metrics:

- 1) Track our percentage reduction in costs (over three years) on those we regulate
- 2) 10 per cent increase in the amount of our chargeable discretionary pre-application advice

2013/14 Performance

GREEN

Our customers have continued to see the benefits from our licensing improvements. Our measures have generated benefits for almost 300 customers, equating to almost £300,000, which met our 5 per cent saving a year ahead of schedule. They have also helped our customers avoid cumulative delays of almost 900 weeks. We have agreed a new 7.5 per cent target for March 2015 in our 2014/19 Corporate Plan.

Interest in our chargeable advice services continues to be very strong and we have now signed up 250 cases. This is an 11 per cent increase in the amount of our chargeable discretionary pre-application advice and follows a successful March where we signed up 48 new cases reflecting the growing level of demand. This is the reason that our year-end performance has improved to 'Green'.

We expect cost reductions for our customers to increase and we will continue to deploy resources in accordance with the need to service demand for our chargeable licensing advice (recognising the value of early engagement) whilst maintaining our response rates to our high statutory casework volumes and undertaking compliance and evaluation work.

**Advise on spatial planning and sustainable development solutions
(Top 6 KPI reported to Defra Supervisory Board)**

Metrics:

- 1) We respond to 95 per cent of our casework consultations within agreed deadlines
- 2) 400,000 hectares of nationally/internationally designated terrestrial sites and 1,250,000 hectares of nationally/internationally designated marine sites where our advice is in place to help in finding a solution that allows appropriate development to proceed without significant environmental impact

2013/14 Performance

GREEN

This year we have dealt with over 97 per cent of our 27,710 consultations in accordance with statutory deadlines or an agreed extended timeframe.

Our help found a solution that allowed appropriate development to proceed without significant environmental impact on 379,476 hectares of designated terrestrial sites, (over a third of the SSSI series) and on 2.5 million hectares of designated marine sites.

Effective regulatory and enforcement of open access, habitat and species protection, and wildlife management

Metric:

- 1) 85 per cent of our wildlife regulatory casework meets our published standards and statutory deadlines
- 2) 90 per cent of our access regulatory casework meets our published standards and statutory deadlines

2013/14 Performance

GREEN

We met our published standards and statutory deadlines on 86 per cent of our wildlife regulatory casework during the year and we maintained our 100 per cent performance delivering our statutory access regulatory casework.

However, we do recognise the on-going resource challenges, particularly in servicing more complex licensing cases on European Protected Species. Our focus in the year ahead will be to mitigate the associated risks through targeted fixed term recruitment, training and seeking to build on improvements to the licensing process to maximise efficiency.

Outcome Four: A secure environmental future

Continually improve our evidence base

Metrics:

- 1) We carry out and report on 2,500 Integrated Site Assessments
- 2) 32 long term monitoring network sites operational
- 3) Complete two evidence reviews
- 4) Complete climate change adaptation manual

2013/14 Performance

AMBER RED

At year-end we had carried out and reported on 1,880 Integrated Site Assessments (ISAs) plus we had an additional 108 ISAs at data entry stage and a further 286 where data entry was complete although we had yet to complete our advice. This is the reason for our year-end 'Amber Red' performance.

All 32 long term monitoring sites are now operational as planned.

We let the contract for the delivery of our two standalone evidence reviews to Bournemouth University in Quarter Three and they are now complete. These reviews focused on the Heather Beetle life cycle and the impact of heather burning on the Heather Beetle.

The first edition of our Climate Change Adaptation Manual has now been published. The Climate Change Adaptation Manual contains a wealth of information and tools which we hope will help conservation advisors and managers make informed decisions about practical adaptation measures.

Work to our Evidence Standard (Top 6 KPI reported to Defra Supervisory Board)

Metrics:

- 1) 80 per cent of our staff complete the basic Evidence standard & 60 per cent complete the quality management training
- 2) 500,000 downloads of technical publications
- 3) Produce updated advice/guidance for five topic areas following completion of the Uplands Evidence Review

2013/14 Performance

AMBER GREEN

Our uptake of evidence standards awareness training across the business was 80.5 per cent and our quality management training uptake was 64.3 per cent. We therefore met both of these targets.

Access to publications through our publications catalogue continued at an unprecedented level throughout the year with the cumulative total reaching almost one million (943,416) by year-end. We met our annual target in October 2013.

We have drafted the Uplands Guidance following external consultation although dealing with all the feedback delayed publication into 2014/15 and is the reason for our year-end 'Amber Green' performance. We are updating advice and guidance on five topic areas which are: Burning; Tracks; Hay Meadows; Moorland Grazing; and the Restoration of Blanket Bog.

Excellent Public Body

Achieve and maintain the right knowledge, expertise and experience

Metric:

1) 90 per cent of our staff reach at least the expected level of capability as set out in the Skills Framework

2013/14 Performance

GREEN

The results of our recent staff survey showed that 94 per cent of our people believe they have the skills they need to operate effectively. This is closely supported by the evidence we have gathered from our skills framework throughout the year.

On average, each member of staff has invested 7.7 days on their personal development this year. We continue to make use of a range of learning methodologies including online learning, coaching, mentoring, and our interchange placement scheme and through joint training opportunities with the Environment Agency. Over 94 per cent of our staff are now registered with Civil Service Learning.

We have also continued to invest in leadership development and our first cohort of future team leaders recently graduated. Participants on our Senior Leadership Programme have now started their second year of personal development. We have refreshed our skills frameworks to help all our staff to identify and develop the skills they will need in our new local delivery model.

Deliver excellent customer service

Metric:

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

2013/14 Performance

AMBER GREEN

Our year-end live customer point of service feedback data for our main customer groups is:

Percentage satisfied or very satisfied

Environmental Stewardship:	92 per cent
Wildlife Licensing:	96 per cent
Land Use Planning:	92 per cent
ELS Online	89 per cent

Our weighted average performance is 92 per cent across our main customer base and we have therefore met our annual target. The public sector benchmark for similar organisations is 83 per cent.

With our new organisational structure now in place, we will restart our programme of Customer Service Excellence accreditation in July with the objective of maintaining our organisational accredited status.

Our customers have been reporting a positive improvement since we launched our revised customer complaints & feedback procedures in July. We publish regular summaries of customer complaints and feedback and our actions in response on the 'You said, We did' section of our internet site.

The results of our annual customer surveys below have given us renewed food for thought and we are currently developing our detailed action plans in response to this useful insight. The survey results are the reason for our year-end 'Amber Green' performance. This year we used an online survey approach as part of our efficiency measures rather than working with MORI using a telephone survey. MORI advised that online surveys can result in lower overall satisfaction figures than telephone surveys.

Annual Customer Survey Results	2013/14 In-house online survey %	2012/13 MORI telephone survey %
Our Land Use Planning Customers	58	74
Our Wildlife Licensing Customers	49	68
Our Land Management Customers	70	84
Our Marine Customers	63	not measured*

*In previous years, our marine customers were included in our wider Partner Survey

We remain acutely aware of our customers' perceptions of us on wider issues such as the future of agri-environment schemes and we are listening carefully to learn from their insight, sharing best practice and exploring benchmarking opportunities.

We manage our money effectively and efficiently

Metrics:

- 1) Our actual expenditure is 100 per cent of our planned/budget expenditure
- 2) We deliver £18 million of efficiencies and service changes this financial year as set out in our Spending Review 2010 settlement. This would represent £35 million of cumulative efficiencies

2013/14 Performance

GREEN

At year-end, our financial performance reported to Defra shows we have a £0.5 million or 0.3 per cent under-spend, against a full year forecast of £184.5 million.

After allowing for capital expenditure, the underlying position on our revenue forecast is a £0.1 million or 0.1 per cent under-spend which is within our agreed budget tolerance. Our financial performance will now undergo our annual external audit review.

We have delivered the £18 million of efficiency savings arising from our 2013/14 financial settlement.

Annex 2

The Sustainability and Environmental Report 2013/2014

1. Introduction

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

2. Summary of Performance

We continue to promote our focus on reducing the environmental impact of our offices. We continue to ensure that the culture and behaviours we have adopted around carbon reduction and sustainable ways of working remain embedded in our daily work. In 2013-14 we continued to maintain our travel carbon budget system across each of Natural England's functional teams, with carbon allocations aligned to financial budgets. These were reported on a routine basis across the organisation, firmly embedding travel minimisation and low carbon travel choices as "business as usual" ways of working and providing visibility for our corporate sustainability work.

Natural England is required to report on the Greening Government Commitments (GGC). These consist of a range of targets around our environmental performance, including those reported here. We are working closely with Defra, our parent department and our landlords across the majority of the estate to achieve these.

Our performance to date for 2013-14 has been excellent, with us meeting, or exceeding, each of our GGC targets.

3. Biodiversity

Natural England performs an independent, technical function with duties to advise Government and others, including local communities, about biodiversity. Critical to this is our ability to translate a wide range of scientific and technical information into practical advice others can use. We are nominated as Government's lead body for the implementation of Biodiversity 2020 and on behalf of Government we also administer the agri-environment schemes under the Rural Development Programme for England. These schemes underpin significant aspects of biodiversity management inside and outside of protected areas.

4. Sustainable Procurement

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

Our procurement procedures have been developed to ensure sustainability is integrated throughout the procurement process. A sustainable risk assessment is applied to all projects over £5k. For contracts over £40k we developed a procurement strategy which includes questions regarding supplier sourcing and specification development. Sustainability Risks analysis includes identification of risks against environmental and socio-economic issues and includes alignment to Greening Government targets. The sustainable procurement process is fully integrated into the ITT, specification guidance and evaluation model (where appropriate). There is a default standard paragraph in the ITT as a minimum requirement.

5. Our performance summary for 2013-14:

Area	Actual Performance	RAG	Target Performance (where applicable)
Carbon dioxide emissions ^{1,2}	2655 tCO ₂	GREEN	3468 tCO ₂
Total waste ³	40.6 tonnes	GREEN	73.73 tonnes
Water consumption ³	3,768 m ³	GREEN	A reduction from our baseline (9,302 m ³)
Carbon Reduction Commitment (CRC) related expenditure ⁵	8151.6		
Total energy consumption ¹	2,203,163 kWh		
Buildings energy consumption ¹	2,203,163 kWh		
Total energy expenditure	£324k		
Residual office waste ³	10 tonnes		
Total waste expenditure ⁴	Not applicable		
Water expenditure ³	£68k		

Sustainability Performance Report for 2013-14

Greenhouse Gas Emissions		2013/14	2012/13	2011/12	2010/11
Non-Financial Indicators (tCO ₂ e)	Total Gross Emissions for Scopes 1 & 2 ^{1,2} (procured electricity, gas and fleet vehicles incl pool cars)	1,213	2,142	2,343	3,076
	Total Net Emissions for Scopes 1 & 2 ^{1,2} (procured electricity, gas and fleet vehicles incl pool cars)	1,213	2,142	2,343	3,076
	Gross emissions attributable to Scope 3 official business travel ²	1,442	1,099	1,071	1,038
Related Energy Consumption (KWh)	Electricity; Non Renewable ¹	186,951	-	-	-
	Electricity: Renewable ¹	746,470	-	-	-
	Electricity: CHP ¹	16,694	-	-	-
	Electricity: Total*	950,115	1,776,485	2,175,222	3,544,222
	Gas ¹	1,174,121	2,670,518	3,206,027	4,458,377
	LPG	-	-	-	-
Other	-	-	-	105,844	
Financial Indicators (£k)	Expenditure on Energy	£324k	£277k	£248k	£405k
	CRC Licence Expenditure ⁵	8,152	9,944	9,192	-
	CRC Income from Recycling payments	-	-	-	-
	Expenditure on accredited offsets	-	-	-	-
	Expenditure on official business travel	£3.24m	£3.09m	£2.66m	£2.46m

* Electricity costs split between non-renewable/renewable and CHP only available from 2013/14.

PERFORMANCE COMMENTARY (INCL TARGETS)

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

CONTROLLABLE IMPACTS COMMENTARY

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

OVERVIEW OF INFLUENCED IMPACTS

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

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

PERFORMANCE COMMENTARY (INCL TARGETS)

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

CONTROLLABLE IMPACTS COMMENTARY

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

OVERVIEW OF INFLUENCED IMPACTS

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

Finite Resource consumption - Water			2013/14 ³	2012/13	2011/12	2010/11
Non-Financial Indicators	Water consumption (M ³)	Supplied	3,768	5,053	6,424	9,302
		Abstracted	-	-	-	-
Financial Indicators (£k)	Water supply costs		£68k	£68k	£54k	£37k

PERFORMANCE COMMENTARY (INCL TARGETS)

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

CONTROLLABLE IMPACTS COMMENTARY

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

OVERVIEW OF INDIRECT IMPACTS

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

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

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

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

PERFORMANCE COMMENTARY (INCL TARGETS)

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

CONTROLLABLE IMPACTS COMMENTARY

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

OVERVIEW OF INFLUENCED IMPACTS

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

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

- 1 Building energy consumption/emission data from Jan 2013 to December 2013 (the latest full year of Greening Government Commitment data provided by Defra at the time of writing.)
- 2 Travel data based on our 13/14 travel carbon reporting tool
- 3 Waste and water data from Jan 2013 to Dec 2013 (the latest full year of Greening Government Commitment data provided by Defra at the time of writing.)
- 4 Waste management on the Natural England estate is undertaken through our landlords and their contractors. It is not possible to disaggregate the expenditure on waste management from that provided for other tenants in our shared offices
- 5 Defra is responsible for reporting and paying for the consolidated CRC return and these recharges are approximations based on the apportionment of floor space occupied. Data for 2012/13 as 2013/14 data isn't available until August 2014.

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