

Annual Report and Accounts

1 April 2007 to 31 March 2008



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

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Natural England

Annual Report and Accounts 2007/2008

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

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Foreword

Welcome to our second annual report and accounts.

In our second year we've made significant progress in conserving and enhancing the natural environment for the benefit of people. We've also gained a clearer understanding of the future challenges facing the natural environment.

Our unprecedented progress towards securing the favourable condition of Sites of Special Scientific Interest (SSSI) and clear leadership in implementing the England Biodiversity Strategy are important steps in meeting the challenge of reversing the decline in biodiversity beyond 2010. The changes that we have championed to the way the £2.9 billion for Environmental Stewardship is used over the next six years, will target it to the right environmental priorities and help the natural environment adapt to climate change. Our work on the growth areas is providing accessible natural greenspace for people in urban communities to enjoy and derive health benefits from.

Our advocacy has focused on how we sustain the vital benefits we get from the natural environment in the face of pressure from urban development and climate change. We initiated a national debate on greenspace and housing growth and contributed to the Common Agricultural Policy Health Check, in particular providing Defra with convincing evidence of the environmental impact of ending set aside and making the case for measures to mitigate this. Our advice has resulted in strong adaptation measures in the Climate Change Bill and helped shape the provisions to improve coastal access in the draft Marine Bill.

We have improved our organisation and systems to provide better customer service, considerable efficiency savings and better outcomes for the natural environment. We have made the hard choices necessary to continue the vital elements of our programme of work in light of our budget settlement for 2008/09.

We have recently published the State of the Natural Environment report, which clearly shows that our natural environment is under increasing pressure from a range of threats. The findings from the report have led Natural England to publish a 'Manifesto for the Natural Environment', which outlines what needs to be done to set the nation on a greener path by tackling difficult questions to help protect our future natural assets. Our refreshed Strategic Direction sets out how we will provide the environmental leadership required to meet those challenges.

For more information on our work go to:
www.naturalengland.org.uk



Sir Martin Doughty
Chair, Natural England

Dr Helen Phillips
Chief Executive, Natural England

Martin Doughty *Helen Phillips*



Outcome 1

A healthy natural environment

England's natural environment will be conserved and enhanced

Case study: The Wash SSSI

Natural England has agreed ground-breaking shellfish management policies with the Eastern Sea Fisheries Joint Committee and the local fishing industry, which have brought 15,000 ha of England's largest SSSI (total area 62,000 ha) into recovering condition. This has contributed 20% of the total increase in the area of SSSI into favourable or recovering condition in 2007–08. This agreement is an example of how, through partnership, Natural England has worked to achieve a sustainable future for both the natural environment and the economy.

The Wash is an internationally important wetland of intertidal mudflat and coastal saltmarsh supporting important populations of redshank, knot and oystercatcher. It also supports commercially important stocks of shellfish, especially mussels and cockles. Ten years ago over-fishing had reduced shellfish stocks to an all-time low with disastrous consequences for wading birds, which feed on the shellfish, and for the fishing industry itself.

Recent improvements in the harvesting of shellfish, and the newly agreed shellfish management policies, have resulted in additional areas of the SSSI being in favourable or recovering position. This is testament to the efforts made by all parties to bring about a massive turn around in the health of the Wash.



Looking to the River Great Ouse from Terrington Marsh SSSI.

Partners





Why we are doing it

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

Highlights in our second year

Net increase of 81,000 hectares of Sites of Special Scientific Interest (SSSI) brought into favourable or recovering condition, representing an in-year gain of 7.3% to 82.7% in total.

Natural England appointed as lead delivery partner for the England Biodiversity Strategy. 65% of species action plans led by Natural England are on target. 64% of priority habitat for which Natural England is responsible is under beneficial management through Environmental Stewardship.

Delivered over £10 million to support Areas of Outstanding Natural Beauty (AONB) partnerships in their work and delivery of the Sustainable Development Fund and projects contributing to their management plans.

Increased the quantity of bird-friendly habitats on farmland, through Environmental Stewardship, to help halt the decline in farmland birds.

Prepared a *State of the Natural Environment* report, published in May 2008.

Worked closely with Defra in the development of the draft Marine Bill and drafting of the associated policy guidelines.

Looking ahead

We will continue our focus on making further progress towards the PSA target of having 95% of Sites of Special Scientific Interest (SSSI) brought into favourable or recovering condition by 2010, taking a strategically targeted approach to secure major gains through management agreements.

As lead delivery partner for the England Biodiversity Strategy, we will ensure concerted joint action on the highest priority species and habitats, utilising Environmental Stewardship as far as possible.

We will prioritise £1.5 million of our funding into a new Countdown 2010 grant scheme to support the recovery of some of England's most threatened wildlife.

We will put in place a new longer term partnership framework for our work with Areas of Outstanding Natural Beauty (AONB) to secure the maximum outcomes from our funding support to them for the natural environment.

Our State of the Natural Environment report will be expanded into a series of regional reports and we will address the gaps in evidence with our partners.

Our Undersea Landscapes campaign will increase public awareness of the wonder of our marine environment and we will work with Defra to support and develop the provisions of the draft Marine Bill and their implementation.

Case study: Countdown 2010

Natural England's Countdown 2010 grant scheme has awarded nearly £2m to 34 projects, run by a variety of partners, that have helped protect and enhance priority biodiversity species and habitats, engaged people in conservation work, and raised awareness among key stakeholders, community groups and the general public.

For example, the Cirl bunting reintroduction project, which involves local farmers, Natural England, RSPB, Paignton Zoo and the National Trust, has re-established a breeding population of Cirl buntings in Cornwall after they became extinct in the county over 10 years ago. Another project has improved the wildlife of rivers and streams in Cumbria by encouraging natural river processes, fencing out stock and clearing invasive non-native plants.



Male Cirl bunting.



Partners





Outcome 2

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

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

Case study: Health and the natural environment

This year, Natural England has worked with the Department of Health on its trial of a new Physical Activity Care Pathway (PACP) in London, where GP surgeries are encouraged to use a new system for recommending physical activity, including outdoor 'Green Exercise', to help treat certain patient groups. For each practice involved, a map has been drawn up showing the location of outdoor opportunities in the vicinity of the surgery. These maps will be used throughout the trial period and are being copied around England in further promotional work with the NHS Alliance and its commissioning GP practices.

Initial feedback has shown that this approach is welcomed by GPs, nurses and patients and is encouraging more uptake of local walking schemes through the Walking the Way to Health Initiative (WHI) across London, as well as in the selected GP practices.

The effectiveness of green exercise as part of healthcare treatment and disease prevention has to date been hard to quantify. Natural England has worked with the National Institute of Health and Clinical Excellence (NICE) and other academics to develop a simple Outdoor Health Questionnaire that is being promoted to Natural England's 525 WHI schemes. The comparable evaluation data collected will be used to inform the NICE Review of Physical Activity and feed into the review of the Quality Outcome Framework (QOF) in 2009, the basis on which GPs are funded.



On the Seven Cornfields Walk, Wolverhampton.

Partners



Why we are doing it

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



Highlights in our second year

Our advice to government on coastal access was fully reflected in the draft Marine Bill. We developed the outline methodology (scheme) published with the Bill.

Increased volunteering for Natural England by over 13% to 2,172 people offering their time.

Delivered and evaluated 24 pilot projects in cities and towns to improve accessible natural greenspace close to where people live.

Supported the Department of Health-led Physical Activity Care Pathway trial involving eight GP practices across five London boroughs in recommending outdoor exercise in local greenspaces to help general health and aid recovery from heart disease.

Support provided to local authorities on developing their Rights of Way Improvement Plans to increase the opportunities provided by rights of way for people to enjoy the natural environment.

Launched the new 164 km Cotswold Way National Trail.

Delivered four action research projects testing novel ways of engaging under-represented groups in accessing the outdoors.

Secured £25 million from the Big Lottery Fund Changing Spaces programme for Access to Nature, a grant scheme managed by Natural England on behalf of a consortium of 12 national environmental organisations, to provide new opportunities for people to enjoy the natural environment.

Looking ahead

Through a combination of research into demand factors and a spatial analysis of regional and local supply provision we will develop a strategic understanding, which will underpin our future delivery, of requirements for increasing access to and enjoyment of the natural environment.

We will provide advice and supporting information on the coastal access provisions of the draft Marine Bill as it passes through Parliament and continue to prepare for implementation from 2009.

We will build on the momentum of the 'Volunteering is...?' conference to extend opportunities for volunteering across the environmental sector.

We will support the expanded Department of Health led 'Physical Activity Care Pathway' trial and use our Outdoor Health Questionnaire to evaluate the health benefits of physical exercise in the natural environment.

We will bring this evidence together to inform the NICE Review of Physical Activity and feed in to the review of the Quality Outcome Framework (QOF) in 2009 – the basis on which GPs are funded.

We will award £7 million from the Access to Nature Grant Scheme to 60 projects to provide urban, rural and coastal communities with new opportunities to enjoy the natural environment.

We will develop and promote a series of Champion National Nature Reserves that demonstrate the sustainable use and management of high-quality natural destinations.

We will also deliver a targeted public engagement programme building on our existing agri-environment Educational Access to increase awareness and understanding of the natural environment among school-aged children and urban communities.

Case study: The Cotswold Way



In May 2007 we launched the Cotswold Way as England's 14th National Trail, the culmination of over £1 million investment.

Following the Cotswold escarpment for most of its 164 km (102 mile) length, the Trail runs between the Cotswold market town of Chipping Campden and the World Heritage city of Bath, passing through the Cotswolds AONB with its unimproved limestone grassland, the Cotswold Commons and Beechwoods National Nature Reserve, Sites of Special Scientific Interest, as well as many historic sites.

The Trail is supported by a detailed guide book, website, and accommodation and public transport information, and should bring lasting economic benefit to the local economy. Over 84,000 people have used the Trail since it was launched.



Walking on the Cotswold escarpment.

Partners





Outcome 3

Sustainable use of the natural environment

The use and management of the environment is more sustainable

Case study: Higher Level Stewardship targeting

It is critical that we deliver the greatest environmental and public benefit from the £2.9 billion secured for the Environmental Stewardship scheme as part of the RDPE for the period 2007-2013. Natural England has therefore developed a spatial approach to targeting and prioritisation of Higher Level Stewardship, that will account for at least £600 million over the next 6 years.

The approach will ensure delivery of the multiple objectives of the scheme in areas of high environmental priority, identified using an evidence-led approach. These cover between 25 and 30% of England and more than 76% of Biodiversity Action Plan priority habitats, such as calcareous grassland, heathland and upland hay meadows.

This year we developed targeting maps to inform ongoing decisions on Higher Level Environmental Stewardship applications. These maps are being developed further in consultation with our partners along with more detailed maps of the priority holdings in each area that contain the habitats and features that are likely to deliver across the objectives of the scheme. Our aim is that within each region, 80% of the total funding for Higher Level Stewardship and classic scheme agreements will eventually be focused on these areas. The remaining 20% will be targeted at important theme priorities outside the main target areas. In addition to this, a proportion of the national HLS budget will be available for large scale projects.

The new approach will provide clarity and transparency and will be fully implemented by October 2008.



Flower rich arable field margin

Partners





Why we are doing it

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

Highlights in our second year

Achieved a net increase of 655,303 hectares of land under Environmental Stewardship so that it now totals 51.6% of all farmland in England.

Developed a spatial targeting approach to Higher Level Stewardship to better address environmental priorities and support landscape-scale climate change adaptation.

Completed the Environmental Stewardship Review of Progress with Defra to make the scheme even more effective than now.

Published online at Nature on the Map, a map showing all the five million plus hectares of land that are currently in one of the agri-environment schemes, so that for the first time the public can see the benefits these are delivering.

Delivered face-to-face advice to 20,619 farmers and land managers at 1,311 events, resulting in a significant increase in their awareness of cross-compliance, Environmental Stewardship and environmentally sensitive farming practices.

Initiated a national debate on greenspace and housing growth.

Secured and strengthened adaptation provisions in the Climate Change Bill.

Handled 7,747 wildlife licence cases. 88% of customers rated our service as excellent or good.

Looking ahead

We will complete the development of a map-based approach to targeting Higher Level Stewardship (HLS) and launch the new system in October 2008. This will result in 80% of funding for new agreements being spent in the 25-30% of England where it can meet the highest environmental priorities.

We will implement the recommendations from the Environmental Stewardship Review of Progress to further improve the effectiveness of the £2.9 billion available for Environmental Stewardship in the period 2007 to 2013.

We will further develop our online map showing the 5 million plus hectares of land in agri-environment schemes to provide location specific information on the benefits being provided by each agreement.

Our advice programme will be targeted at supporting delivery of high-quality environmental outcomes, and our Future of Farming Awards 2008 will recognise those businesses demonstrating the most beneficial land management practices.

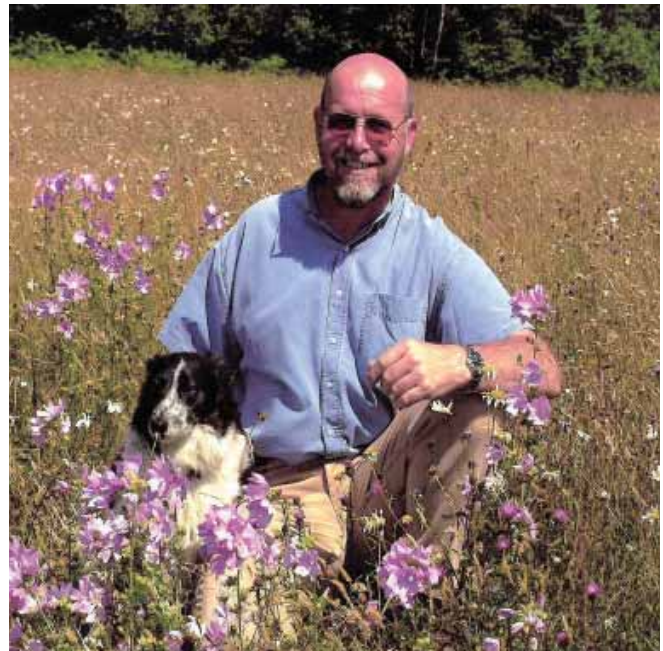
Our engagement in spatial policy development, strategy and casework will embed a healthy natural environment as a vital component of our quality of life and an essential part of the infrastructure of a healthy modern economy.

An agreed Action Plan will be in place for implementation of the European Landscape Convention and our joint delivery plan with the Forestry Commission for the England Trees, Woods and Forests Strategy will be completed.

Case study: Future of Farming Award

Natural England has a long term vision for agriculture where farmed landscapes are valued as much for the wildlife habitats, landscapes and access to the natural environment they provide as for agricultural products. The Future of Farming Award, in association with the Country, Land and Business Association, National Farmers' Union and Tenant Farmers' Association, aims to recognise the achievements of like minded farmers and promote these more widely. The finalists' successes included innovations in habitat restoration techniques, education, access, health care and tourism.

The national winner, Keith Datchler, Farm Manager at the Beech Estate in Sussex, has changed the focus of his farming practices from solely intensive food production to one where conservation of high quality landscapes and biodiversity are fully integrated with agricultural production.



Keith Datchler, national winner at the Future of Farming Awards.

Partners





Outcome 4

A secure environmental future

Decisions which collectively secure the
future of the natural environment

Case study: Climate change – The Broads

The natural environment is already altering as a consequence of climate change. The Broads is one of the four pilot areas where Natural England, in conjunction with local partners, is evaluating the possible responses required at a local level for the natural environment to adapt to climate change.

The pilot consisted of three elements: the identification of significant environmental assets, assessment of potential climate change impacts and the development of responses to adapt to the impacts.

The Broads is a low lying, mainly freshwater landscape abutting the East Norfolk coast. It forms one of Europe's finest and most important wetland areas and is one of the family of National Parks. Much of it is also of European wildlife importance, being a Natura 2000 and Ramsar site.

The main impact of climate change will be a loss of freshwater habitat due to sea level rise and salt water intrusion, and a consequent increase in coastal and brackish habitats. The scale of potential climate change impacts will require a response. A number of options have been examined including re-engineering the shape of the coast and developing new wetlands and washlands.

The final reports for all four pilot response strategies will be published this autumn.



The Broads

Partners





Why we are doing it

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

Highlights in our second year

Assessed the potential impact of climate change on the natural environment in four character areas – Cumbria High Fells; Shropshire Hills; The Broads and Dorset Downs; and Cranbourne Chase – and developed draft response strategies.

Supported partnerships to deliver 71 green infrastructure projects in growth areas, provided direct funding to 10 site based projects and advised 33 partners on site preparation and management.

Developed a joint UK agency response to the European Union consultation on the CAP Health Check process, putting the case to at least maintain current funding levels for the Rural Development Programme and secure measures to safeguard the environmental legacy of set-aside.

Established an agreed monitoring system with Defra to measure the impact of the loss of set-aside. We also scoped policy options for mitigating the environmental consequences of this.

Built good relationships with the water companies in preparation for Water Pricing Review 2009, to secure investment in over 350 schemes to improve the condition of European wildlife sites, SSSIs, manage priority habitats and deliver more sustainable land management in water catchments.

Engaged over 72,000 people at Breathing Places Cities events and created an award winning web portal with the BBC, used by over 2 million people in the first month.

Looking ahead

We will start work to develop a long term vision for the natural environment which fully integrates the conservation and enhancement of landscapes and biodiversity with the benefits of the natural environment for people. This will include the development of the approach to involve stakeholders, scenarios to help envisage the possible futures within which we may be working and an initial land use strategy to understand the current pressures, trends and demands on our land area.

We will continue to develop our understanding of how the natural environment responds to climate change through continuing to roll out our pilot character area work. This work will inform our ongoing input on adaptation measures in the Climate Change Bill.

We will continue to provide advice to influence Green Infrastructure provision within growth points, eco-towns and growth areas and ensure high-quality greenspace is integrated into new urban development.

We will continue to support the case to maintain current funding levels for the Rural Development Programme and to secure measures to safeguard the environmental legacy of set-aside in response to the EU CAP Health Check proposals.

We will further develop and make the case for significant investment in the natural environment as a result of the Water Pricing Review 2009, to secure improvement in the condition of European wildlife sites, SSSIs, manage priority habitats and deliver more sustainable land management in water catchments.

We will continue to develop economic evidence and analysis to provide a comprehensive narrative on the benefits of a high quality natural environment.

Case study: Green Infrastructure pilots

Green Infrastructure (GI) is a network of formal and informal green spaces and related environmental assets providing a host of ecosystem services, such as biodiversity and sustainable urban drainage and social benefits, such as opportunity for outdoor exercise.

Natural England is supporting the planning and delivery of green infrastructure in areas targeted for significant urban development, providing technical guidance to 59 GI partnerships and contributing to the preparation of strategies in 21 locations. We have also advised on the delivery of 72 greenspace projects, and funded 10 site based projects.

At Rainham Marshes, within the Thames Gateway, we are working with the RSPB and the London Borough of Havering to secure significant new access to the marshes and Thames Riverside enabling people to enjoy this area for the first time in over 100 years.



An educational visit to Rainham Marshes.

Partners





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

What we strive to do

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

Highlights in our second year

Stakeholder Survey showed a high level of satisfaction in relationships at a senior national level. Stakeholders understood our overall remit and were keen to contribute to further policy development. 21% of the public are aware of Natural England.

Leadership and Staff Development programme launched – over 2,000 staff trained in our Performance Management system, 2,000 attended advocacy training, nearly 1,700 attended a staff conference and over 1,500 knowledge sharing events. The staff survey had an 81% response rate and action plans have tackled the priority issues.

Put in place a single set of terms and conditions for all staff.

Delivered £6.5 million cash efficiency savings and made a further £2 million productivity savings through new ways of working, better procurement practices and reducing the number of offices from 60 to 47 during the year.

Attracted external funding of over £4 million for environmental improvements.

Established Incentive Scheme Services centres resulting in major efficiencies in our Scheme processing and improvement in customer service; 56,000 claims, totalling £370 million paid by the regulatory deadline.

Green travel policy options developed to help us deliver our 50% reduction in carbon target by 2010.

Established a modernised Health and Safety approach and signed up to the Health and Safety Executive's (HSE) sensible risk management principles. The number of incidents reported to HSE remained low at four for the year.

Published a Diversity and Equality policy together with Gender Equality and Disability Equality schemes and put in place supporting staff accountabilities and training.

Looking ahead

We will continue to build an organisation with the resilience, agility and authority to deliver our purpose, as set out in the NERC Act 2006. We aim to operate as one organisation, integrating the delivery of our outcomes. We have refreshed our Strategic Direction to give a fuller expression of our vision for the natural environment. In doing so, we have drawn on the views of stakeholders and the *State of the Natural Environment 2008* report so that we can provide the environmental leadership required to meet those challenges.

We will develop our organisation to be independent and authoritative and take on the role of being a champion for the natural environment. We will strive to be a catalyst for others, developing strong and creative partnerships with our stakeholders and building consensus on a sound evidence base. We will maintain flexibility to move swiftly to focus on new challenges and opportunities.

We want to enhance the capability of Natural England so that our corporate governance, ways of working, knowledge and development programmes are regarded as best practice. We want to ensure our diversity mix reflects the environments and communities we serve and we are delivering on our ambition of becoming an employer of choice.

We will deliver effective and efficient business processes built on sustainable practices by creating and continually refining business processes which help deliver our outcomes, delivering a highly professional customer service through positive supplier management, maximising the funding for the natural environment through careful management of all our resources and through the active pursuance of external funding opportunities, and being an exemplar through the adoption of good environmental management and sustainable practices in all of our activities.

Progress on our three year journey

A **healthy** natural environment

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

Objective

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

Our targets 2006 - 2009	RAG status	Progress
Develop and deliver an integrated customer service delivery model for land managers to provide streamlined access to the full range of specialist environmental management skills and programmes.	AR	A model to provide a single first point of contact for customers to provide initial advice on the full range of Natural England services has been constructed and will be rolled out during 2008-09. It contains geographical tactical plans, showing how we will apply the different levers (regulation, advice, incentive, direct management and through demonstration). We have carried out an internal audit on reputation which identified the need to complete good service standards which we are delivering in 2008 through our Integrated Delivery project.
Develop integrated landscape, access and biodiversity conservation targets and implementation plans for 9 of the Catchment Sensitive Farming Projects.	G	We have demonstrated the advantages of a targeted approach to the integrated delivery of environmental outcomes through seven regional projects.
Lead the delivery of the Catchment Sensitive Farming Project to secure protection of natural resources.	G	The key problems in 40 catchments have been identified and plans are being developed to address priority issues. 7000 farmers have been engaged and 660 grants to the value of £5 million have been made.
Secure the alignment of existing integrated delivery projects to Natural England's wildlife, landscape and access outcomes and objectives.	G	50 geographically defined projects have been aligned and have delivered benefits across a range of Natural England outcomes.
Secure improvement in the condition of the natural environment and public access to it through conserving and enhancing the condition of England's biodiversity now and in the future.	G	We have been appointed as lead delivery partner for the England Biodiversity Strategy. The UK BAP includes 391 species action plans, 347 of these plans target species that occur in England, & also includes action plans for 45 habitats, 42 of which occur in England. In England, for all current BAP priority species and habitats, 45.5% of current priority species are increasing or stable and the decline has slowed for a further 9.5%; 38% of priority habitats are increasing or stable and the decline has slowed for a further 33%. To date we have led on 88 priority species, of which 64.8% are on track to deliver their action plan targets. Action is being taken which will ensure a further 11.4% are brought on track. We have also led the recovery of 16 habitats. 64% of relevant priority habitat is under beneficial management through the (ES). We have provided advice to the Secretary of State on the contents of a new list of priority species and habitats to be published under s41 of the NERC Act (2006).

Secure the conservation and management of our landscapes, wildlife and their enjoyment by the public through effective programmes for designated areas.	G	<p>We have provided advice and technical support for the designation of the proposed South Downs National Park to Defra and through the Public Inquiry. We have provided advice to Defra on the current National Park funding formula and established our position on long term funding recommendations.</p> <p>Over £10 million has been provided to support Areas of Outstanding Natural Beauty (AONB) partnerships in their work and delivery of the Sustainable Development Fund (SDF). Management plans are in place for all AONBs.</p> <p>The Dungeness SSSI notification process was completed.</p>
To have 95% of SSSIs in favourable condition by 2010.	G	82.7% of SSSI (888,700 ha) land was in favourable or recovering condition at the end of March 2008. This is up from 75.4% at the start of the year and exceeding the 81.5% 2007/08 milestone agreed with Defra.
Reverse the long term decline in the number of farmland birds by 2020.	AC	There has been a levelling-off of the Farmland Bird index (at 55% of 1970 level) measuring the halt in the decline of Farmland Birds. This has largely been driven by increases in generalist species, although a few species which had previously been in decline are now starting to increase (eg the tree sparrow) albeit from much reduced levels.

Objective

To conserve, recover and enhance the marine environment.

Our targets 2006 - 2009	RAG status	Progress
Build on the success of the State of the Marine Environment Report by publishing a State of the Natural Environment Report.	G	We have produced our <i>State of the Natural Environment (SoNE)</i> report, published in May 2008.
Establish a coherent network of marine conservation zones (MPCZs) by 2012.	G	<p>We have completed a survey of seven potential marine sites for designation as Special Areas of Conservation. We have secured Lundy as the first ever 'No take' Marine Protected Area.</p> <p>We have worked with partners to establish a second No Take Zone at Flamborough Head.</p> <p>We continued to advise on the environmentally appropriate removal of the MSC Napoli.</p>

Progress on our three year journey

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

Objective

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

Our targets 2006 - 2009	RAG status	Progress
Establish baseline data on access to the natural environment.	R	Completed a full review of existing surveys (eg. UK Day Visits Survey & GB Day Visits Survey) and have developed an approach to inform future surveys. Research through 2008 will focus on motivation factors, awareness issues and an evaluation of existing interventions including Green Exercise. Awareness issues will focus on 2 distinct groups – children under 12 years of age and urban dwellers.
Develop a programme for the most deprived communities in each Region to increase opportunities to experience the natural environment by groups or people who currently have low access.	G	The Access to Nature Grant Scheme opened on 28th April 2008, with the aim of reaching 1.7 million participants by 2014. We have completed four self sustaining action research projects with partners, testing novel ways to engage under-represented groups in accessing the outdoors, that will be self-sustaining. The Outdoors for All Diversity Action Plan has been agreed and has been delivered to Defra. We completed an accessibility audit of our National Nature Reserves during the year.
Promote preventative health solutions in the natural environment.	G	We have delivered at 3 major health conferences. We have identified Green Exercise pilots in most regions. Over 525 health walk groups are in place & are engaging in excess of 250,000 people. Over 33,000 volunteers have been trained, plus training for 300 Primary Care Trusts has been completed. We have developed new partnerships with the Department of Health, the National Institute of Clinical Excellence, and the NHS Alliance.

Objective

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

Our targets 2006 - 2009	RAG status	Progress
Seek joint venture partners to develop a dynamic web based information product, promoting the full spectrum of opportunities and activities available for people to experience and enjoy the urban and rural natural environment.	AR	Our feasibility work reveals limited viability for a website approach. We have explored alternative cost neutral models.
Ensure a national partnership to promote and develop a network of sites for the study and understanding of the natural environment.	R	We have had direct educational engagement, primarily with schools, through our NNR estate. We have held Stakeholder workshops. Internal and external 'outdoor learning' networks have been established.
Increase the number and diversity of people volunteering their time to help conserve and enhance the natural environment by 5%.	G	The number of volunteers on our NNRs has increased by 8.5%. 100 organisations attended our national "Volunteering Is ..." conference considering how to co-ordinate, improve, diversify and extend the range of environmental volunteering opportunities. Joined up and partnership working is developing from the successful conference.

Objective

Improve places for people to enjoy the natural environment

Our targets 2006 - 2009	RAG status	Progress
Ensure the provision of a well managed access through the network of statutory sites and routes.	G	We have revised key aspects of the statutory guidance we provide to relevant authorities on access management. We delivered a grant scheme enabling 30 local authorities to meet Natural England's priority objectives for open access management and undertake other initiatives to realise access benefits. We are undertaking spatial analysis of provision of access sites at a regional level to inform and develop our strategic understanding of supply issues (this will complement the work being carried out on demand factors through the baseline survey work).
Advise Government on the best way of improving access to the coast, assist in the public consultation and lead subsequent implementation.	AG	Our outline methodology (scheme) on coastal access has been completed and has been well received by Defra. It was published alongside the draft Marine Bill.
Develop and implement a programme to improve the condition of National Trails and Bridleways.	R	We continue towards our aim of achieving a network of high quality routes: at least 27km of new Trail was created with a further 14km being improved; at least 88 stiles were replaced with gates or gaps; at least 2 new bridges were constructed; public transport information updated on 11 Trails; continued working with schools and volunteers; continued updating of National Trails website to suit user needs. 98% of users surveyed in 2007 rated their overall experience of National Trails as "very/fairly good". The new 164 km (102 mile) Cotswold Way National Trail was also launched. The condition of existing trails was maintained.
Pilot a new programme in the London Region to connect people to the natural environment adhering to the "Access to Natural Greenspace Standards." (ANGSt)	G	We have delivered and evaluated 24 pilot projects to improve accessible natural greenspace in cities and towns. These have been in London, in the East of England and in Yorkshire & Humberside.
Develop a plan to reduce the transport impact of nature-based tourism.	AG	We have been exploring the potential for promoting access to National Nature Reserves and other nature-based attractions from the rail network. Our support for regional or local initiatives has included funding of the South Shropshire Hills AONB shuttle bus and a leaflet with 'One' railway promoting rail access to the Yare Valley in The Broads.
Improve facilities and services for visitors at particular National Nature Reserves through partnerships with the business Sector and develop a new level of service framework for visitors to individual National Nature Reserves to both increase the level of protection and make visits easier for a wider cross section of the public.	AG	We have implemented interim service standards for visitors to all our NNRs. We have commissioned a research report into factors crucial to successful development of NNRs for visitor satisfaction. This will input into the development of exemplar NNRs as visitor destination sites.

Progress on our three year journey

Sustainable use of the natural environment

Objective

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

Our targets 2006 - 2009	RAG status	Progress
Secure a stronger suite of environmental outcomes through the new Rural Development Programme (RDPE) for England.	AG	We helped to secure EU approval for the RDPE 2007-13, including £2.9 billion for Environmental Stewardship. We have progressed a spatial targeting approach to HLS to better address environmental priorities and support landscape-scale climate change adaptation. We have worked with Defra to complete the ES Review of Progress and deliver the final recommendations to Ministers for implementation in 2008/9 and 2009/10.
60% of England's Total Agricultural Area should be subject to Environmental Stewardship Agreements.	AG	51.6% of agricultural land under ES (4,993 agreements this year covering 655,303 ha). The ES Review of Progress has been sent to Ministers. OELS uptake was 315,000 hectares while the more focused HLS has attracted 194,000 hectares of land. The OCIS (Organic Conversion Information Service) was successfully launched on 25 March 2008.
Recognising achievement and innovation in the supply of environmental goods and services.	G	We launched an online map showing the 5 million plus hectares of land that is in Environmental Stewardship, Countryside Stewardship or one of the Environmentally Sensitive Area schemes. 115 farmers across England were nominated for the Future of Farm Awards and a ceremony was held.
Increase the take-up of sustainable land management practice through integrated and consistent advice and demonstration.	G	Over 3,500 farmers, advisers and contractors and over 4,400 public attended over 170 farm demonstration events across England on sustainable farming and food topics. 88% of respondents to a Oct/Nov 2007 farmer survey stated that their knowledge of cross-compliance had improved since 2005. 85% of farmers now consider themselves to have a good level of knowledge. 89% of those attending best practice events said they better understood the intended environmental benefits of the ELS and how to manage their land to achieve them.
Encouraging wider understanding and adoption of codes and legislation resulting in fewer breaches.	AG	We exceeded our annual target for wildlife licence cases (8,430) by slightly over 20%. Timeliness targets were met for over 90% of cases and 88% of customers rated us as excellent or good. We have applied the Hampton principles of <i>better regulation</i> .

Objective

To encourage environmentally sustainable farming, fishing and forestry to protect natural resources and enhance the environment together with influencing markets and supply chains and adopt more sustainable practices and cut greenhouse gas emissions

Our targets 2006 - 2009	RAG status	Progress
Publish a report highlighting the most beneficial and damaging land and marine management practices for each sector.	AG	We have prepared the report and it will be published in 2008-09. Our Future of Farming Awards are designed to highlight many of the beneficial land management practices identified.
Work with farmers and the food industry to promote the connection between sustainable food production and the natural environment.	G	We have developed a three year project developing policy and advocating standards in the food supply chain involving the food industry, producers and other stakeholders. We have supported the Year of Food and Farming initiative through regional activities and sponsored the development of a school 'Natural Environment Learning Day' module.

Objective

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

Our targets 2006 - 2009	RAG status	Progress
Secure commitment to environmental goals in the development and implementation of EU and national policies and strategies.	G	The implementation framework for the European Landscape Convention has been agreed with Defra, including a UK wide approach with other devolved administrations. We have provided input to the Planning White Paper and the Planning Bill. We successfully secured adaptation provisions in the Climate Change Bill and submitted a robust response to the EU Green Paper on Climate Change. We have also developed our policy position on Climate Change and Energy. The Marine Strategy Directive has been agreed and incorporates specific measures to implement Marine Protected Areas through member states as we have been advocating.
Ensure a strong and regionally focused set of environmental outcomes are embedded and delivered in regional and local frameworks and strategies.	G	We have secured 'wins' for the natural environment by strengthening policies on the provision of Green Infrastructure through three Examinations in Public of Regional Spatial Strategies (RSS) – for the East Midlands, South West and South East.
Develop and implement an integrated and consistent response framework to case work for the benefit of the environment.	AR	We have improved our capacity to respond to Statutory Casework through the development of a casework management system. The proportion of responses delivered within agreed time frames has risen to 98%.

Objective

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

Our targets 2006 - 2009	RAG status	Progress
Pilot new business partnership programmes to create new habitat and enhance the landscape in priority areas.	AG	335 ha of new woodland has been established on former china clay sites in the south west. We have developed proposals to understand and exploit the carbon offset potential of peat restoration. Natural England delivered 72 Green Infrastructure projects in Growth Areas and is advising on 23 greenspace schemes across the country.

Progress on our three year journey

A **secure** environmental future

Objective

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

Our targets 2006 - 2009	RAG status	Progress
Bring together evidence about the current and future state of the natural environment and the risks and potential responses.	G	Gaps have been identified in measuring change in the natural environment to inform our work. We have published an indicator of countryside quality with the launch of the '2nd Assessment of Change in Countryside Quality (1999 – 2003)'. Working with partners we have finalised national maps and supporting documents for the 'Wetland Vision' – a visual representation for the future potential for wetland management.
Establish green infrastructure strategies in all of England's Growth Areas.	G	We have delivered 72 Green Infrastructure Projects in Growth Areas.
Influence and shape marine spatial planning to protect the natural environment and support viable businesses.	G	We contributed to a project to develop a framework for Mapping European Seabed Habitats (MESH) which will help inform the approach to mapping of marine protected areas in the UK.
By December 2007 agree a Natural England vision for the future of CAP as a result of the 2007/8 Health Check. By March 2008 agree Natural England's vision for agriculture post 2013.	AG	We contributed to an agreed Land Use Policy Group (LUPG) response to the European Commission's consultation on the CAP Health Check, which provided our vision for the CAP to 2013. We have also led the development of an LUPG position statement on set-aside and established with Defra an agreed monitoring system to measure the impact of loss of set-aside and the scope of policy options.
PRO9 By March 2008 provide advice to the Environment Agency and the water industry to secure significant investment in water quality and the environment.	G	We established a project during the year to secure favourable environmental outcomes from the Water Pricing Review 2009 (PRO9). We have advised on Ofwat's proposed methodology for PRO9 and Defra guidance. We have supported research to explore consumers' views on the water industry to understand their priorities for investment and willingness to pay.

Objective

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

Our targets 2006 - 2009	RAG status	Progress
Assess the impact of climate change in 4 Joint Character Areas and develop a climate change response programme.	G	We have developed draft reports for all 4 pilots (the Cumbria High fells, The Shropshire Hills, the Broads and the Dorset Downs and Cranborne Chase) and we have developed a methodology for understanding and recording the projected impacts of climate change.
Publish a report on how to enhance the role of land managers as carbon managers.	G	We have contributed to the mitigation role of land managers as carbon managers. 200 farm audits of greenhouse gas emissions to provide benchmark for future assessment of farm carbon budgets and the impact of measures on them have been completed.
Facilitate increased investment in the generation of clean energy in appropriate locations.	G	We have provided expert input to the development of the UK and Europe's energy strategy and policies advising on a range of energy developments in England – particularly on-shore and off-shore wind energy proposals. We have helped guide the Sustainable Development Commission's review of tidal and wave energy and are involved in the Government led feasibility study into the Severn Barrage proposals. The new Natural England run Energy Crops Scheme has been launched.

Objective

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

Our targets 2006 - 2009	RAG status	Progress
Develop and pilot a framework for assessing the cumulative impact of development on the natural environment.	G	We have researched the effects of housing growth on the Thames Basin Heaths, a site of international importance for its biodiversity. We are also working with partners in the East Midlands in assessing the effects of a major growth area on the natural environment. Technical guidance has been developed on taking account of the role of cumulative effects in Strategic Environmental Assessment.

Objective

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

Our targets 2006 - 2009	RAG status	Progress
Develop and deliver a programme of local community projects linked to the BBC Breathing Places series, to provide an opportunity for people to take local action to conserve and enhance their environment.	G	We delivered 13 hugely successful Breathing Places Cities Events in June 2007 with an estimated 72,000 visiting our stands. We inspired more than 5,000 people to complete our "What's in YOUR garden", ahead of our launch of the Wildlife Gardening Forum's Manifesto in July. In partnership with the BBC we launched a new web portal to go online and search for places, events and volunteering opportunities - http://www.breathingplaces.org/public achieving more than 2 million hits in the first month.
Lead the development of a lottery funding bid to establish a new programme to improve access to the natural environment.	G	We have secured, with partners, £25 million from the Big Lottery for a Changing Spaces programme for Access to Nature, a grant scheme that will reconnect 1.7 million people with the natural environment.
Develop evidence to identify the day to day activities in the way we live our lives where changing how we do things could have the greatest benefits for the natural environment.	G	We have been developing our policy on Natural England's contribution to sustainable development, including carrying out a pilot in the South West to assess our policies and practices.

Progress on our three year journey

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

Objective

Our leadership – Natural England staff will be recognised and in demand for their leadership at all levels

Our targets 2006 - 2009	RAG status	Progress
Natural England staff to have excellent leadership skills and shared organisational culture and values.	G	Good progress has been made with the Leadership and Staff Development Programme: <ul style="list-style-type: none"> ■ 2 phases of Performance Management Training to over 2,000 staff ■ Advocacy training to 2,000 staff ■ 2 pilots of Environmental Leadership Induction ■ first phase of Team Leader development programme ■ Out and About events: series ended December 2007 – 18 events held (against a target of 25). Programme of events for 2008 published. ■ 4 Staff Conferences held with 81% of staff attending.
Continue to review and develop Natural England's strategy.	G	We have refreshed and published our Strategic Direction 2006-2009, the core document which sets out what Natural England aims to achieve.

Objective

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

Our targets 2006 - 2009	RAG status	Progress
Develop and deliver Natural England's Organisational Development Strategy with policies, systems and processes in place to enable Natural England's workforce to deliver our outcomes.	G	There has been significant staff engagement during the year, including 4 staff conferences attended by almost 1,700 staff. A staff survey in October had an 81% response rate and action plans were put in place to tackle the priority issues identified. A follow-up survey in March had 1,500 responses and indicated significant improvement in ratings by staff across 17 of 18 indicators of organisational performance and effectiveness. <ul style="list-style-type: none"> ■ We have put in place a single set of terms and conditions for staff. ■ Gender Equality and Disability Equality Schemes have been published along with a Diversity & Equality Policy. This is supported by the appointment of Diversity Champions and training over 40 people in the use of Equality Impact Assessments. ■ 26 Employee Policies and Procedures were developed in partnership with the Trade Unions and communicated to our employees.

Objective

Our knowledge – we will have a robust evidence base in place to underpin all of our activities, accessible to both the organisation and our partners. This will be maintained and developed through on-going monitoring and evaluation of delivery and a targeted programme of collaborative research.

Our targets 2006 - 2009	RAG status	Progress
Implement Knowledge Strategy to ensure that all knowledge, information and data are embedded, accessible and visible to staff and underpinned by the best available evidence.	AG	Transformation to single common email and network solutions is complete, meaning staff can now work and collaborate together more effectively as one organisation. We have completed a knowledge strategy providing a framework for understanding what knowledge we have, where it is, and how we enable it's best use.
Develop and deliver a programme to establish and maintain the evidence base necessary to deliver NE's Strategic Direction.	G	We have finalised our Framework for Science, Research and Evidence and started to deliver our evidence needs through a carefully focused and prioritised programme of research projects. We have continued to liaise with stakeholder organisations so that we can develop partnerships with them on strategic and cross cutting work of mutual interest.

Objective

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

Our targets 2006 - 2009	RAG status	Progress
Partner management, activity and alignment across Natural England meets our priorities and outcomes and ensures high levels of partner awareness and understanding of Natural England.	AG	Our stakeholder survey in 2007 showed a high level of satisfaction in relationships at a senior national level. The headline message was "so far, so good" – stakeholders understood our overall remit well and were keen to contribute to the development of more detailed policies.
Natural England has strong media presence to ensure public and partner awareness and understanding of Natural England, its role, policies and delivery.	G	We have increased our media profile by 30% over the year, reaching 60% of the adult population. One third of coverage achieved connected to our strategic outcomes.
Effective, targeted internal communications that informs staff and reinforces organisational culture and values.	G	We have developed and improved the ways in which we engage with our staff, establishing regular communications channels to facilitate two-way flows of information, linking in particular to our Transition Programme. 53 Transition workshops have been held and 50 'Out and About' Executive sessions have taken place with local teams.

Objective

Our systems – we will establish a single integrated model for Natural England, supported by affordable technologies and efficient processes which enable us to deliver better services to the public and operate as a leading example of an excellent executive Non Departmental Public Body.

Our targets 2006 - 2009	RAG status	Progress
Define scope and agree suite of internal and external services, with clear service delivery standards supported by agreed businesses processes, completed by January 2007.	G	Preparation has been made to take full operational ownership of the Genesis IT system from Defra during 2008. We have established Incentive Scheme Service centres, resulting in major efficiencies and improvement in customer service. 56,000 claims, totalling £370 million paid by the regulatory deadline with 50 fewer staff than previous year.
Establish and implement a strategic approach to improving our regulatory activities that will enable Natural England to become a modern and efficient regulator, properly balancing the interests of the customer, taxpayer and citizen while limiting the administrative burden.	AR	We have fully prepared for the introduction of the Regulators' Compliance Code which will come in to force on 6th April 2008 placing a new statutory duty upon Natural England.
Natural England functions as an excellent NDPB through a governance (including risk, audit, emergencies, and estates) framework agreed, implemented and revised to timetable.	AR	Internal Audit programmes are established and delivering assurance assessments. A strategic risk register has been implemented, maintained and developed. Risk management approaches are starting to be imbedded in the organisation.
Effective Health and Safety Policies and practice implemented to ensure the health and safety of Natural England staff and visitors.	G	We have formally signed up to the Health and Safety Executive's (HSE's) 'Sensible Risk Management' principles. The number of incidents reported to HSE under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) remain low at four. No material breaches or failure of policy.
Business planning and reporting delivered to fit business need – internal planning process to deliver Business Plan by 31 March annually.	G	The business has significantly simplified its planning and reporting process during 2007/08 following a lessons learned exercise. Delivery Agreements are prepared as a consequence of discussions across the business making them much more real and inclusive to staff.
Deliver effective Board and Executive functions.	AG	Our Board and Executive Services has provided high quality support to the Board and Executive Board.

Objective

Our finances – we will put in place a medium term financial planning process, to inform strategy development and enable the organisation to act with confidence in fulfilling its ambitions

Our targets 2006 - 2009	RAG status	Progress
Finance systems meet long-term business need and Government Accounting standards.	G	We have delivered an unqualified set of accounts in October 2007 to a high quality. For the 2007/08 accounts we have delivered and had audited the December 2007 position to bring forward the year end accounts timetable. We have delivered the 2007/2008 expenditure to within the 2% target level.
Grow Natural England's business.	AR	Over £4 million of spend during 2007/2008 has been derived from external sources. Frameworks have been produced that guide the development of external funding across the organisation.
Deliver £6.5m of efficiency savings in 2007/2008.	AG	We have delivered £8m of cash releasing benefits and £2m of additional productivity benefits, exceeding the target set by Defra of £6.5m. We have reduced our office estate from 60 to 47 during the year. This includes the closing of 16 offices and opening at 3 new locations, saving £0.5m. We have delivered over 2% of savings through the positive management of vacancies, which has saved £1.8m in 2007/2008.

Objective

Our sustainability – we will lead by example in adopting good environmental management and sustainable practices

Our targets 2006 - 2009	RAG status	Progress
Develop a strategy for Green Ways of Working to enable delivery of our sustainability targets and to harness the environmental commitment and passion of our staff.	AG	An 'invest to save' programme has been devised that will lead to significant carbon savings across our estate during 2008/2009. We have developed Green Travel policy options for wider consultation with staff and a system for monitoring the carbon footprint of our travel through our expenses system has been piloted.

Management Report

History and statutory background

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

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

The Joint Nature Conservation Committee (JNCC) was established on 5 November 1990 by Section 128(4) of the Environmental Protection Act 1990 to carry out the functions listed in Section 133 of that Act. The JNCC is funded on an agreed proportionate basis by Natural England, Scottish Natural Heritage (SNH), the Countryside Council for Wales (CCW) and Council for Nature Conservation and Countryside (Northern Ireland) (see note 1.3 in Notes to the financial statements).

Management commentary

In Natural England's first full year of operation following vesting on 1 October 2006 the attention has been focussed on ensuring that we continue to deliver whilst managing the transition of people, processes and systems from the three founding bodies to Natural England ways of working. In this context our major financial objectives in 2007/2008 was to deliver to our budget whilst achieving our outcomes. As discussed in the Annual Report we have delivered our targets and this has included delivering our revenue and capital budgets agreed with our Board and largely financed by Defra.

Because of the accounting rules the outstanding Grant in Aid due to Natural England for 2007/2008 cannot be shown as accrued income, and instead appears as a revenue deficit. This is a timing difference due to the fact that Natural England should not draw down the cash for its Grant in Aid

until it is required to meet its obligations. The underlying performance for the year was that on expenditure of £241million we had a small overspend on revenue of £0.1m and a small underspend on our capital budget of £0.2m.

We have challenging financial settlements to face in 2008/2009 and in future years and because of these challenges and the need to maintain our activity spend on the natural environment we implemented a voluntary severance and early retirement programme for 117 staff in 2007/2008 at a cost of £8.5m which has been fully provided for in the 2007/2008 results. Our planning assumptions are that we will continue to have a flat cash settlement from Defra less a further £10 million of cashable efficiencies over the three year period to 2010/2011. This means that we face considerable further efficiency challenges given inflationary pressures on our budget and increasing demands to support action on the natural environment. A number of initiatives have been implemented to meet these targets including a rationalisation of Estates, a Procurement strategy, the integration of scheme processing and a review of how corporate services are provided.

Despite these challenges Natural England has sought to protect its core funding for the natural environment and we have been communicating with key stakeholders such as AONB's to give them three year guarantees of funding to March 2011.

Available resources

The principal resource available to Natural England is its people. The investment we make in our people is described in the Employee section of this report. In addition, the relationship with key partners is vital to the success of Natural England's business. More specifically, Natural England invested £4.7m (2006/2007 £1.4m) in additional fixed assets to contribute to the delivery of its business objectives. Over and above this, as described in Outcome 1, Natural England manages directly, or through partners, 93,100 hectares of National Nature Reserves.

Risks and uncertainties

In the Statement on Internal Control (SIC) on pages 43 to 49 there is a full discussion of the risk and control framework that operates in Natural England. Key areas of risk for this financial year were: the performance of Shared Services Directorate; arrangements for information technology support through IBM; business continuity planning, awareness and testing and customer service standards.

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

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

The balance sheet at 31 March 2008 shows net liabilities of £76million. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from Natural England's other sources of income, may only be met by future grants or grants-in-aid from the Natural England's sponsoring department, the Department for Environment, Food and Rural Affairs. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grant-in-aid for 2008/2009, taking into account the amounts required to meet Natural England's liabilities falling due in that year, has already been included in the Department for Environment, Food and Rural Affairs Estimates for that year, which have been approved by Parliament, and there is no reason to believe that the departments future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Research and development

Natural England spent £9.4m on national science and evidence gathering activities under our Biodiversity, Protected Areas and Policy objectives, with £4.9m being invested in research and development. The research and development spend is concentrated in areas where knowledge gaps currently exist such as the impacts of climate change on the environment and which are essential to deliver the organisation's strategic outcomes. Expenditure on research and development is written off in the year it occurs.

Payment of creditors

Natural England follows the principles of the Better Payment Practice Code. The policy is to ensure that all payments are made by their due date. This policy is known throughout the organisation and there is a formal complaints procedure to enable suppliers' complaints to be dealt with quickly. In 2007/2008, 88.7% of invoices were paid by their due date

(2006/2007 89.9%). Late payment interest was incurred in the year of £840 (2006/2007 £nil).

Employees

People are Natural England's most valuable resource. By valuing and respecting each individual we aim to create an organisation where the inclusive culture retains and attracts great people who have the talent to turn our organisational goals into reality. Valuing others will also mean we give great service to the wide range of individuals and customers that we interact with. Natural England observes the provisions of the Disability Discrimination Act 1995 and associated Code of Practice. Disabled people are given the same consideration as others and depending on their skills and abilities, will enjoy the same training, development and prospects as other staff.

Natural England has established a firm commitment to Diversity and Equality helping all employees to work together to build an inclusive environment. Our commitment incorporates the need to meet our legal obligations, but more importantly stems from the fact that it makes good business sense as well as sound moral and common sense to do so. Dave Webster, Executive Director Corporate Services, is also the Executive Diversity and Equality champion for Natural England and is supported by a steering committee and by twenty Diversity Ambassadors, these are employees who have stepped forward to help embed diversity across our organisation.

Natural England ensures that it has fair employment terms for its staff. This year we implemented a common pay system for our people, an integrated performance management system that links our corporate plan to each individual's work objectives together with a full suite of employment policies on key issues such as diversity and disciplinary and grievance procedures. We have also invested heavily in development and training with the initial focus on performance management and advocacy.

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

Natural England's management and the Trade Unions (PCS, Prospect and FDA) continue to have open, positive and constructive dialogue both through the formal mechanism of the National Joint Group and through the informal partnership-style approach. The close working relationship is based on mutual trust and understanding which, while respecting the sometimes differing priorities of the parties, is highly valued by both, providing, as it does, an increased opportunity to address issues of mutual concern at the earliest opportunity and within an environment that supports both pragmatic and innovative approaches during a time of tremendous change.

Environmental policy and Social Community Statement

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

Natural England is working to engage with the diverse communities we have not historically reached out to. Our volunteers include many people who represent these communities and we benefit greatly from the enrichment and learning that they bring to us through their involvement.

Natural England is looking for ways to improve the service we give to our customers. Special access arrangements are being developed on targeted National Nature Reserves (NNRs) and a review of the accessibility of our NNRs is to be made available via the internet so that customers know what to expect and can make informed choices.

Natural England made a commitment in our original Strategic Direction in 2006 to halve our carbon emissions by the end of 2010. The largest sources of our carbon emissions are from our buildings and our business travel, so our focus will be on reducing the carbon footprint of these two areas. This will require significant changes in both our building management and our ways of working and travelling. We have begun an invest to save programme to look at ways of improving the energy efficiency and costs of our offices as well as developing a set of sustainability principles for our office rationalisation programme. A Green Travel Policy Options consultation paper has been produced to discuss with staff the principles for future ways of travelling, alongside a 'travel hierarchy' to support local business travel decisions.

At Natural England we are committed to incorporating sustainability into the heart of our procurement operations, to meet both our targets and ensure we spend taxpayers' money efficiently and sustainably. We aim to meet Level 3 of the Sustainable Procurement Flexible Framework by December 2009 and our suppliers will play an enhanced role in helping us to achieve this. We will ensure that our sustainability objectives and expectations are set out clearly in new contracts and we will work with suppliers in developing a partnership approach to future procurement activity.

Pensions

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. A full actuarial valuation was carried out as at 31 March 2007. For 2007/2008 employers' contributions were payable to the PCSPS at one of the four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. The contribution rates reflect benefits as they accrue, not the costs as they are actually incurred and reflect past experience of the scheme. Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Further details are described in paragraph 1.16 of the Accounting Policies and note 7.3.

Sir Martin Doughty, Chair and Poul Christensen, Deputy Chair are included in a separate pension scheme set up by Defra which is described as "by analogy to the main scheme". An actuarial valuation has been carried out by the Government Actuary Department as at 31 March 2008 and the present value of the scheme liabilities is included within Natural England's balance sheet. Further details are described in the Remuneration Report and note 7.4.

Corporate governance

Natural England aims for the highest standards in corporate governance. Natural England has throughout the year had risk management and review processes in place so as to be able to review the effectiveness of our system of internal control. Natural England has prepared a Statement on Internal Control for 2007/2008 (see pages 43 to 49), which shows that Natural England is compliant with guidance on internal control.

Responsibility for the direction of Natural England

1. Board members

Each Member of the Board of Natural England is appointed by the Secretary of State for Environment, Food and Rural Affairs, typically for a term of three years. Members may be considered for re-appointment in accordance with guidance from the Office of the Commissioner for Public Appointments. Legislation provides for the appointment of no fewer than eight and up to sixteen Members. At 31 March 2008 there were sixteen non-executive Members including the Chair.

The composition of the board from 1 April 2007 was as follows:

Sir Martin Doughty – Chair
Mr Poul Christensen – Deputy Chair
Mr Peter Allen
Ms Melinda Appleby
Ms Sarah Burton
Dr Roger Clarke
Professor Lynn Crowe
Mr Merrick Denton-Thompson
Professor Michael Depledge
Mr Tony Hams
Professor David Hill
Mr Doug Hulyer
Professor David Macdonald
Mr Christopher Pennell
Dr Helen Phillips
Ms Pam Warhurst

Full details concerning the Members of the Board are given in the Board Members section of the Annual Report. The Audit and Risk Committee is chaired by Christopher Pennell, the other members are Poul Christensen, David Hill, Pam Warhurst and Ian Scott as an external member. The Science Advisory Committee is chaired by David Macdonald, the other members are Lynn Crowe, David Hill and Michael Depledge.

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

2. Executive Management Board

The composition of the management board from 1 April 2007 was as follows:

Dr. Helen Phillips – Chief Executive Officer
Mr Adrian Belton (resigned 2 March 2008)
Mr James Marsden (appointed as acting Executive Director 1 March 2008)
Dr. Tom Tew (appointed 16 April 2007)
Mr Guy Thompson
Mr Dave Webster
Mr Andrew Wood (appointed 1 April 2007)
Mr David Young (resigned 30 April 2008)

Accounts direction

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

Auditor

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

The cost of work performed by the auditor for statutory audit work in respect of the financial year 2007/2008 is £198k (2006/2007 £266k).

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

Remuneration Report

Appointments

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

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

Salary

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

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

Benefits in kind

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

Cash Equivalent Transfer Values (CETV)

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

the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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 drawn.

The real increase in the value of the CETV

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

Remuneration policy

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

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

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

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

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

Remuneration (audited information)

Board Members	Period of appointment	Annual days service	2007/2008		2006/2007	
			Salary, including performance pay £000	Benefits in kind (rounded to nearest £100) £	Salary, including performance pay ¹ £000	Benefits in kind (rounded to nearest £100) £
Chair						
Sir Martin Doughty	To 30/9/2009	156	65-70	n/a	30-35	n/a
Members						
Peter Allen	To 30/9/2009	37	10-15	n/a	0-5	n/a
Melinda Appleby	To 30/9/2008	37	10-15	n/a	0-5	n/a
Sarah Burton	To 30/9/2009	34	10-15	n/a	0-5	n/a
Poul Christensen (Deputy Chair)	To 30/9/2009	78	30-35	n/a	15-20	n/a
Roger Clarke	To 30/9/2008	37	10-15	n/a	0-5	n/a
Lynn Crowe	To 30/9/2009	41	10-15	n/a	0-5	n/a
Merrick Denton-Thompson	To 30/9/2008	37	10-15	n/a	0-5	n/a
Michael Depledge	To 30/9/2009	41	10-15	n/a	0-5	n/a
Tony Hams	To 30/9/2008	37	10-15	n/a	0-5	n/a
David Hill	To 30/9/2009	55	15-20	n/a	0-5	n/a
Doug Hulyer	To 30/9/2010	37	10-15	n/a	0-5	n/a
David Macdonald	To 30/9/2008	43	10-15	n/a	0-5	n/a
Christopher Pennell	To 30/9/2009	49	15-20	n/a	0-5	n/a
Pam Warhurst	To 30/9/2010	43	10-15	n/a	0-5	n/a

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

Board members have no entitlement to bonuses, performance related pay, pension contributions or other benefits.

¹ The disclosure for 2006-2007 relates to only six months service to Natural England from date of vesting on 1st October 2006 to 31st March 2007.

Remuneration (audited information)

Executive Directors	Appointment dates	2007/2008		2006/2007	
		Salary, including performance pay £000	Benefits in kind (rounded to nearest £100) £	Salary, including performance pay ¹ £000	Benefits in kind (rounded to nearest £100) £
Chief Executive					
Helen Phillips	27/02/06 to 30/09/09	145 - 150	n/a	70 - 75	n/a
Executive Directors					
Adrian Belton Executive Director, Operations	27/02/06 to 02/03/08	85 - 90 ²	n/a	50 - 55	n/a
James Marsden Executive Director (acting), Evidence & Policy	1/03/08	5 - 10 ³	n/a	n/a	n/a
Tom Tew Chief Scientist	16/04/07	80 - 85 ⁴	n/a	n/a	n/a
Guy Thompson Executive Director, External Affairs	19/06/06	90 - 95	n/a	40 - 45	n/a
Dave Webster Executive Director, Corporate Services	04/09/06	95 - 100	n/a	40 - 45	n/a
Andrew Wood Executive Director, Operations	1/04/07	100 - 105	n/a	n/a	n/a
David Young Executive Director, Strategy & Performance	27/02/06 to 30/04/08	90 - 95	n/a	50 - 55	n/a

A performance related bonus is included in the Chief Executive's salary and her bonus was determined by the Board and can be up to a maximum of 15%. The bonuses of the other Executive Directors were determined by the Chief Executive and can be up to a maximum of 15%. Executive directors that are not in post at the time the bonus is paid are not eligible to receive a performance bonus and this applied to Adrian Belton and David Young for 2007/2008. The total bonus paid for 2007/2008 was £63k.

¹ The disclosure for 2006-2007 relates to only six months service to Natural England from date of vesting on 1st October 2006 to 31st March 2007.

² The figure quoted is for the period 1st April 2007 to 2nd March 2008. The full year equivalent is 90 - 95.

³ The figure quoted is for the period 1st March 2008 to 31st March 2008. The full year equivalent is 60 - 65.

⁴ The figure quoted is for the period 16th April 2007 to 31st March 2008. The full year equivalent is 80 - 85.

Pension benefits (audited information)

	Total accrued pension at age 60 at 31/03/08 and related lump sum (LS) £000	Real increase in pension and related lump sum at age 60 £000	CETV at 31st March 2008 £000	CETV at 1st April 2007 £000 ¹	Real increase in CETV £000	Employer contribution to partnership pension account nearest £100
Chair						
Sir Martin Doughty	10 - 15 LS 0 - 5	0 - 2.5	173	138	22	nil
Deputy Chair						
Poul Christensen	0 - 5 LS 0	0 - 2.5	11	4	7	nil
Chief Executive						
Helen Phillips	15 - 20 LS 0	15 - 17.5	211	10	58 ²	nil
Executive Directors						
Adrian Belton	0 - 5 LS 0	0 - 2.5	83	39	35	nil
James Marsden	25 - 30 LS 0	2.5 - 5	419	325	38	nil
Tom Tew	15 - 20 LS 50 - 55	2.5 - 5 LS 10 - 12.5	269	177	60	nil
Guy Thompson	0 - 5 LS 0	0 - 2.5	26	6	16	nil
Dave Webster	35 - 40 LS 0	35 - 37.5	503	10	238 ²	nil
Andrew Wood	5 - 10 LS 0	0 - 2.5	104	64	28	nil
David Young	0 - 5 LS 0	0 - 2.5	42	19	17	nil

Board members are not entitled to join the pension scheme.

- ¹ Due to certain factors being incorrect in last years CETV calculator there may be a slight difference between the final period CETV for 2006/2007 and the start of period CETV for 2007/2008.
- ² The real increase in CETV includes the value of benefits transferred in from another pension scheme during the year.

Helen Phillips

Dr Helen Phillips
Accounting Officer and Chief Executive
3 July 2008

Statement of Board's and Chief Executive's responsibilities

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

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

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

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

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

Statement on Internal Control

Introduction

Natural England was created by the Natural Environment and Rural Communities Act bringing together English Nature and the Countryside Agency and the Rural Development Service (RDS) from the Department for Environment, Food and Rural Affairs (Defra). The effective date for this transition was 1 October 2006.

Scope of responsibility

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

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

The Board governance includes:

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

The Executive governance shows:

- who is accountable for delivery of strategic objectives and how the Executive Board, Executive Leadership Group and Regional and National teams interact to achieve that delivery;
- the Financial and Non-Financial Schemes of Delegation;
- guidance on regularity and propriety, the anti-fraud policy and procedure; and
- the terms of reference for Internal Audit.

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

As part of the process for agreeing the business plan for 2007/2008, Natural England carried out consultations and held discussions with officials at the Department for Environment, Food and Rural Affairs (Defra). The issues discussed included Natural England's contribution to the delivery of high level priorities and targets, corporate level risks and financial plans. This interaction between Natural England and Defra continued for the purposes of agreeing the refresh of the Strategic Direction and the Corporate Plan for 2008-11.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Natural England policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Natural England for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

The risk and control framework

The Audit and Risk Committee has approved the Natural England Risk Management Assessment Framework and reviewed actions taken to manage risk and the Strategic Risk Register (SRR). This register is used by the Head of Internal Audit to ensure that the Internal Audit Programme is focussed on those areas of highest risk. The Executive Board has cascaded the SRR to the Executive Leadership Group for review.

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

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

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

Capacity to handle risk

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

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

Joint Nature Conservation Committee (JNCC)

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

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

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

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

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

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

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

within the JNCC, made by the Managing Director, is included in the JNCC Annual Report and Accounts.

As lead Accounting Officer I ensure that:

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

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

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

I gain additional assurance on the controls within JNCC by:

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

Review of effectiveness

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

During 2007/2008 the Executive team have been able to achieve a significant amount of progress towards developing Natural England's controls. The performance of Defra Shared Services has also improved. There are still further steps to be taken before Natural England achieve its aim of being recognised as a distinctive public body.

Natural England continues to benefit from the establishment of an independent internal audit activity with an internal Head of Internal Audit and an external contract to deliver specific reviews. Internal audit activity is targeted at assessing the adequacy and effectiveness of the systems of internal control and governance in the areas reviewed. The areas for review are determined by reference to the levels of risk in the risk register.

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

The Head of Internal Audit's opinion includes an assessment of the control position. The opinion records the context within which the controls have been operated and steps that are being taken to improve the control environment. This indicates that there are some weaknesses in control in reviewed systems that could have a significant impact on the achievement of those key systems, functions or process objectives but should not have a significant impact on the overall achievement of organisational objectives.

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

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

Areas that presented significant risks to the system of internal control in 2007/2008 were:

- the Shared Services Directorate performance and the performance of the Oracle system;
- the arrangements for information technology support through the Defra provided E-enabling agreement with IBM;
- the need to integrate staff and processes into one common way of working;
- failure to retain and attract key staff plus the need to develop succession plans; and
- the failure to deliver agri-environmental schemes on time and to standard as a consequence of setting up the Integrated Scheme Services Team.

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

The Head of Knowledge Management & Information Services (KMIS) has reviewed processes and procedures relating to the management of personal information and has implemented relevant safeguards. KMIS have also initiated a project to implement an Information Security Management System for Natural England following the ISO 27001 standard. A Senior Specialist in Information Access and Security has also been appointed to strengthen the existing information security arrangements. There have been no reportable incidents of personal information data loss during the year.

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

In 2007/2008 the following significant control issues were identified:

Description of control event	Management action
<p>Business Continuity Planning Awareness</p> <p>A small number of teams have plans in place although they have not been fully tested. The concern amongst other teams is that whilst individual offices may have plans in place these plans may not be fully visible or mature. There is a risk that if IT systems fail then normal services could not continue in a number of areas.</p> <p>Informal plans do exist in most areas. These need to be formalised and integrated with the rest of the business. There is a feeling of a lack of corporate oversight and a requirement for more policy on this item.</p>	<p>We have had a recent internal audit report in this area to understand our weaknesses in controls in this area more fully. The key findings were:</p> <ul style="list-style-type: none"> ■ That Business Impact Analysis had not been completed for Continuity Plans; and ■ That no formal IT Disaster Recovery plans exist for the Genesis system for processing agri-environment schemes and for the Oracle financial system. Natural England's position on both systems is that Defra have effectively determined the Disaster Recovery capability for both systems. <p>Natural England has put in place a robust set of criteria required before it can take over the running and operation of Genesis. This includes an adequate Disaster Recovery plan and contingency.</p> <p>In the light of a number of Oracle outages in 2007/2008 Defra, SSD, ourselves and IBM conducted a lessons learned exercise. The majority of these recommendations have been completed, however a significant investment is still required for the Oracle system. A decision on this has been delayed whilst the future of Shared Services is determined.</p> <p>Given the budget constraints and Defra ownership of both systems the investment decisions to deliver robust Disaster Recovery solutions belong to Defra. We will continue to press for these investments to be made.</p> <p>A corporate level Business Continuity Plan is being produced and we are working with IBM and our other service providers to put in place appropriate disaster recovery processes.</p>
<p>Business Continuity Testing</p> <p>In a few teams some formal testing has been carried out. In areas such as External Affairs where there has been a restructure this event has helped in proving business continuity. In most teams this is an area for further review and implementation of formal testing to happen once all the plans have been completed.</p>	<p>Following the issue of the Corporate and local Business Continuity Plans central guidance will be issued and evidence published that plans are regularly tested.</p>

Description of control event	Management action
<p>Customer Service Standards</p> <p>Operational Teams are in general more aware of these standards than internal facing teams.</p> <p>Some of our existing Customer Service standards do not cover some of our teams' interactions with their customers.</p> <p>There is also a general consensus that there is limited awareness of these standards in some areas.</p>	<p>The development of Natural England's approach to Customer Service Improvement is now built into the Integrated Delivery Project. The scope relating to the issues raised in this report includes:</p> <ul style="list-style-type: none"> a) re-establishing the central customer service monitoring and improvement. b) identifying current reporting systems that can continue to be used, c) working with individual teams to design, develop and propose the implementation of new reporting systems, d) ensuring Natural England Internet and Intranet sites accurately portray the systems in operation. e) ensuring that systems at b and c above are used effectively by staff in their teams to enable reports to be produced on compliance with service standards and lessons learnt from customer feedback f) producing monthly Balanced Scorecard reports on compliance with service standards and lessons learnt from customer feedback.
<p>Assurances over the controls operated by SSD</p> <p>The back office financial, procurement and human resources services that are provided by SSD are by definition not directly controlled by Natural England.</p> <p>We have been provided with an opinion from Defra's Head of Internal Audit. She identified three areas of control weakness in SSD: Segregation of duties; access controls; and system auditing. Her conclusion was that these weaknesses outlined above could lead to inappropriate actions by unauthorised persons, and that overall the control environment is weak in SSD. However, no evidence of fraud was found in any of these areas tested.</p> <p>We are additionally aware of one significant control weakness, that for the first four months of 2007/2008 some control account reconciliations have not been completed by SSD. Following direct intervention by Natural England these have subsequently been completed to time and quality.</p>	<p>Natural England will continue to monitor SSD's performance on a monthly basis for any evidence of breakdown in controls.</p> <p>We will continue to seek improvements to and visibility on the effectiveness of the control environment provided by SSD over the operations they perform on our behalf.</p> <p>Wherever possible these will be evidenced by the monthly KPIs we monitor.</p> <p>We will obtain copies of all Internal Audit reports and ensure that management action plans are in place to improve the control environment in SSD.</p> <p>We are reviewing the manual controls that operate outside the systems operated by SSD to ensure that these are appropriate given the levels of assurance received by SSD.</p> <p>Natural England discuss SSD's performance with Defra senior management on a regular basis and are playing an active role in improving SSD's performance and in the current project to bring in a new external partner to manage these services in the future.</p>

Description of control event	Management action
<p>Assurances over the controls operated by IBM</p> <p>Natural England are party to Defra's E-nabling contract with IBM. We are not aware of any control events in the period. We have sought assurances from Defra and IBM under the contract but have been unable to gain any assurance that these have been operating satisfactorily throughout the period, in respect of the controls over Natural England's systems and data.</p>	<p>Natural England will continue to monitor IBM's performance on a monthly basis for any evidence of breakdown in controls.</p> <p>Assurances will be obtained from Defra or IBM for IBM's operation of the internal controls through the period. This will be completed through the involvement of Defra's Internal Audit team and through the use of contractual rights to audit IBM that are available under the contract.</p>

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



Dr Helen Phillips
Accounting Officer and Chief Executive
3 July 2008

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

I certify that I have audited the financial statements of Natural England for the year ended 31 March 2008 under Schedule 1, Section 24(4) of the Natural Environment and Rural Communities Act 2006. These comprise the Operating Cost Statement, the Balance Sheet, the Cashflow Statement and Statement of Recognised Gains and Losses and the related Notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Board and Chief Executive and Auditor

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

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

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

In addition, I report to you if Natural England has not kept proper accounting records, if I have not received

all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Foreword, Our Achievements, and the unaudited parts of the Remuneration Report, included within the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects

the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

the financial statements give a true and fair view, in accordance with the Natural Environment and Rural Communities Act 2006 and directions made thereunder by the Secretary of State, of the state of Natural England's affairs as at 31 March 2008 and of its deficit, recognised gains and losses and cash flows for the year then ended;

the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Natural Environment and Rural Communities Act 2006 and Secretary of State directions made thereunder; and

information which comprises the Management Report, included in the Annual Report is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

T J Burr
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS
9 July 2008

Operating Cost Statement for the period ended 31 March 2008

	Notes	2007/2008 £000	2006/2007 £000
Gross income			
Income from activities	3	3,425	5,425
EU grants	4	1,221	2,092
Other operating income	5	1,219	1,350
Shared conservation income	6.1	622	1,091
Transfer from deferred EU capital grant account	19.2	4	5
		6,491	9,963
Expenditure			
Staff costs	7.1	93,824	89,762
Other operating costs	8	79,961	63,414
Programme expenditure	9	37,387	43,913
Grants	10	27,485	26,615
Shared conservation expenditure	6.2	3,567	4,979
Information and publicity	11	3,053	2,262
Depreciation	12.1, 12.2	1,738	2,301
Impairment of asset values		121	0
		247,136	233,246
Net operating cost of activities		(240,645)	(223,283)
Loss on sale of fixed assets		(14)	(869)
Interest received and similar income		17	335
Notional cost of capital	13	1,394	102
Net cost of ordinary activities		(239,248)	(223,715)
Add back notional costs	13	(1,388)	(94)
Net cost for the financial year		(240,636)	(223,809)

All income and expenditure was derived from continuing operations.

Statement of Recognised Gains and Losses

	2007/2008 £000	2006/2007 £000
Actuarial (gains)/losses (Note 7.4)	(8)	65
Net gain on revaluation (Note 25)	(740)	(560)
Change in share of JNCC	(76)	(4)
Recognised gains and losses relating to the year	(824)	(499)

The accounting policies and notes on pages 56 to 76 form part of these financial statements.

Balance Sheet as at 31 March 2008

	Notes	As at 31 March 2008 £000	As at 31 March 2007 £000
Fixed assets			
Intangible assets	12.1	474	49
Tangible assets	12.2	12,226	8,978
		12,700	9,027
Debtors falling due after 1 year			
	14.1	158	330
Current assets			
Stocks	15	84	100
Debtors falling due within 1 year	14.2	3,260	4,828
Short term investments	16	243	156
Cash at bank and in hand	17	7,557	21,001
		11,144	26,085
Current liabilities			
Amounts falling due within 1 year	18	(89,492)	(58,001)
Deferred EU grant	19.1, 19.2	(39)	(348)
		(89,531)	(58,349)
Net current liabilities			
		(78,387)	(32,264)
Total assets less current liabilities			
		(65,529)	(22,907)
Provisions for liabilities and charges			
Provision for early retirement and severance costs	20	(9,216)	(807)
Provision for redundancy costs	21	0	0
Provision for restructuring	22	0	0
Provision for pension costs	23	(273)	(226)
Provision for dilapidations and onerous contracts	24	(975)	0
		(10,464)	(1,033)
Total assets less all liabilities			
		(75,993)	(23,940)
Capital and reserves			
Revaluation reserve	25	2,023	682
Revenue reserve	26	(78,016)	(24,622)
		(75,993)	(23,940)

The accounting policies and notes on pages 56 to 76 form part of these financial statements

The balance sheet is showing a negative balance because of timing differences between consumption and payment. Natural England draws Grant In Aid from Defra to cover its cash requirements and not to represent income (see note 1.2).

Helen Phillips

Dr Helen Phillips
Accounting Officer and Chief Executive
3 July 2008

Cash Flow Statement for the period ended 31 March 2008

	2007/2008 £000	2006/2007 £000
Operating activities		
Receipts	8,254	15,564
Payments	(207,768)	(211,720)
Net cash outflow from operating activities (see Note 27 - Note 1 to the Cash flow statement)	(199,514)	(196,156)
Returns on investments and servicing of finance		
Interest received	17	368
Capital expenditure		
Payments to acquire tangible fixed assets	(2,035)	(1,090)
Payments to acquire intangible fixed assets	(69)	0
Proceeds from sales of fixed assets	40	710
	(2,064)	(380)
Management of Liquid Resources		
Payments into short term deposits not qualifying as cash	(87)	(6)
	(87)	(6)
Net cash outflow before financing	(201,648)	(196,174)
Financing		
Government grants received and applied to:		
purchase of fixed assets	0	1,358
revenue expenditure	188,299	204,327
Other Government Grants received	0	31
Deferred EU revenue grant received	(97)	97
Interest received on deferred EU grant	2	7
	188,204	205,820
(Decrease)/Increase in cash and cash equivalents (see Note 28 - Note 2 to the Cash flow statement)	(13,444)	9,646

Notes to the financial statements

1. Statement of accounting policies

1.1 Basis of accounting

- i) The Financial Statements follow the reporting guidance set out in the Government Financial Reporting Manual (FRoM) and the accounts direction issued by the Secretary of State, in accordance with Schedule 1, Sections 23 and 24 of the Natural Environment and Rural Communities Act 2006. Where the FRoM permits a choice of accounting policy, the policy that has been judged to be the most appropriate to the particular circumstances of Natural England for the purpose of giving a true and fair view has been selected. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.
- ii) The Financial Statements are intended, without limiting the information given, to meet the requirements of the Companies Act 1985 and 1989 and the Statements of Standard Accounting Practice and Financial Reporting Standards issued and approved by the Accounting Standards Board insofar as these requirements are appropriate.
- iii) The Financial Statements have been prepared under the historical cost convention, modified by the revaluation of fixed assets. Revaluation of tangible and intangible fixed assets is taken to a Revaluation Reserve.

1.2 Going concern

The balance sheet at 31 March 2008 shows net liabilities of £76million. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from Natural England's other sources of income, may only be met by future grants or grants-in-aid from the Natural England's sponsoring department, the Department for Environment, Food and Rural Affairs. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grant-in-aid for 2008/2009, taking into account the amounts required to meet Natural England's liabilities falling due in that year, has already been included in the Department for Environment, Food and Rural Affairs Estimates for that year, which have been approved by Parliament, and there is no reason to believe that the department's future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.3 Joint Nature Conservation Committee

Natural England incorporates the results of the Joint Nature Conservation Committee under the terms of FRS9 "Associates and joint ventures", and includes its share of the JNCC's balances within its own accounts. Natural England's percentage contribution to the funding and its share of net revenue expenditure and ownership of the assets and liabilities of the JNCC for 2007/2008 is 37.32%, Defra share is 24.26%, SNH share is 21.96%, CCW share is 10.98% and Department of the Environment (Northern Ireland) is 5.48%. In 2006/2007 Natural England's percentage contribution to the funding and its share of net revenue expenditure and ownership of the assets and liabilities of the JNCC was 56.22%, Defra share was nil, SNH share was 25.87%, CCW share was 12.94% and Department of the Environment (Northern Ireland) was 4.97%. The percentage contribution and overall budget is set by Defra in discussion with the devolved administrations in Scotland and Wales.

1.4 Tangible fixed assets and depreciation

- i) Tangible Fixed Assets are stated at the lower of replacement cost and recoverable amount. Natural England has set a capitalisation threshold of £5k for assets except for land. The cost of individual items below this threshold is charged directly to the Operating Cost Statement.
- ii) Freehold land and buildings, classified as non-operational heritage assets and located on designated conservation areas have been assigned a nil valuation on the balance sheet. Treasury guidance in the form of the FRoM does

not contain a specific exemption from being valued for National Nature Reserves but Natural England's interpretation has been that this should be the case. Following a response by the Financial Reporting Advisory Board to the Accounting Standards Board discussion paper which gives definition to heritage assets, classifications are given which cover land and buildings that are held by Natural England for the sole purpose of maintaining their conservation value.

- iii) All other freehold land and buildings are revalued every 5 years by professionally qualified valuers, on the basis of value in use. This revaluation was carried out during 2005/2006 by external valuers, Smiths Gore, by their Royal Institute of Chartered Surveyors qualified staff. The valuations were carried out in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual (the Red Book).

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

Three buildings have been subsequently valued at current market value as they will be offered for sale during the next financial year.

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

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

- vii) Breeding stock is treated as a grouped asset (the base herd method) and is not depreciated.

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

1.5 Intangible fixed assets and depreciation

Depreciation is provided on software licences at rates calculated to write off the cost or valuation of each asset evenly over its expected useful life.

1.6 Stock valuation

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

1.7 Bad debts

Bad debts are written off to the operating cost statement when they are considered uneconomic to recover.

1.8 Taxation

Natural England is recognised by Her Majesty's Revenue and Customs as a charity for the purpose of Section 505, Income and Corporation Taxes Act 1988. As a consequence of this status, Natural England is not liable to Corporation Tax or Income Tax on bequests received.

1.9 Value added taxation (VAT)

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

1.10 Grant in Aid

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

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

1.11 Grants receivable

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

Grants for capital expenditure are credited to the revenue reserve.

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

1.12 Grants payable

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

1.13 Treatment of foreign exchange differences

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

1.14 Research and development

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

1.15 Notional costs

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

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

1.16 Pension arrangements

Natural England operates an Early Retirement Scheme, which gives retirement benefits to certain qualifying employees. These benefits conform to the rules of the Principal Civil Service Pension Scheme. Natural England bears the costs of these benefits until normal retiring age of the employees retired under the Early Retirement Scheme. The total pension liability up to normal retiring age in respect of each employee is charged to the operating cost statement in the year in which the employee takes early retirement and a provision for future pension payments is created. Pensions and related benefits payments to the retired employee from 1 April 2003 until normal retiring age are then charged annually against the provision. See also note 7.1 Staff Costs.

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

1.17 Operating leases

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

1.18 Managing risk in financial instruments

Natural England seeks to eliminate or minimise its exposure to interest rate and exchange rate risk by not making investments other than those described in Note 16 and by making formal agreements with partners as to how shortfalls or surpluses will be covered. Liquidity risk is managed through the management of Grant In Aid funding in accordance with the financial memorandum.

1.19 Short term investments

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

1.20 Provisions

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

1.21 Contingent liabilities

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

1.22 Income recognition

Natural England recognises income net of VAT.

2 Change to estimation technique

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

3 Income from activities	2007/2008 £000	2006/2007 £000
Contributions from conservation partners	1,458	1,496
National Lottery Grants	1,075	3,001
Big Lottery Fund (restricted income)	416	0
Income from National Nature Reserves	302	814
Sales of publications	111	58
Advice and other services	47	54
Programme income	16	2
	3,425	5,425

4 EU grants	2007/2008 £000	2006/2007 £000
Other European Union Receipts	668	1,762
Interreg Funds	553	330
	1,221	2,092

5 Other operating income	2007/2008 £000	2006/2007 £000
Miscellaneous receipts including rents and recharges	1,186	1,299
Foreign exchange gains	29	0
Rent from Wardens' Houses	4	11
Bureau services	0	40
	1,219	1,350

6.1 Shared conservation income	2007/2008 £000	2006/2007 £000
Income from activities	449	685
European Union funds	173	406
	622	1,091

Natural England's share of JNCC income has reduced from 56.22% in 2006/2007 to 37.32% in 2007/2008. The percentage contribution of Natural England to JNCC is set by Defra in discussion with the devolved administrations in Scotland and Wales. See note 1.3 for further information.

6.2 Shared conservation expenditure	2007/2008 £000	2006/2007 £000
Staff costs	1,713	2,359
Conservation support	1,246	1,794
Other operating costs	523	698
Information and publicity	79	120
Notional costs (see Note 13)	6	8
	3,567	4,979

Natural England's share of JNCC expenditure has reduced from 56.22% in 2006/2007 to 37.32% in 2007/2008. The percentage contribution of Natural England to JNCC is set by Defra in discussion with the devolved administrations in Scotland and Wales. See note 1.3 for further information.

7.1 Staff costs

	2007/2008 £000	2006/2007 £000
Permanent staff salaries and allowances		
Chair	70	102
Members	333	265
Staff	65,047	67,664
	65,450	68,031
Superannuation		
Accruing Superannuation Liability Charge Payment	12,738	12,728
Transfer to severance and retirement provision	8,571	27
Current year severance and retirement costs	72	0
Costs recharged to Defra	(974)	0
Partnership Pension Contributions	68	37
	20,475	12,792
Permanent staff social security		
Chair	7	11
Members	31	19
Staff	5,113	4,150
	5,151	4,180
Agency and temporary staff	2,637	4,030
Temporary staff social security	78	137
Other staff costs	324	284
Inward secondees	266	308
Sub total	94,381	89,762
Less recoveries in respect of outward secondments	557	0
Total net costs	93,824	89,762

7.2 Staff numbers

	2007/2008 No.	2006/2007 No.
The average number of whole-time equivalent persons employed during the year was as follows:		
Permanent staff:		
Management	168	152
Operational	1,690	1,660
Administration	420	441
IT	0	20
	2,278	2,273
Temporary and contract staff:		
Management	1	4
Operational	46	40
Administration	21	6
	68	50
Total	2,346	2,323

All IT technical staff were transferred to IBM on 1 February 2007 under the outsourcing agreement.

Included in 2007/2008 figures are staff who are appointed on casual and short term contracts. These categories of staff are not included in the figures for 2006/2007.

7.3 Pension commitments

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

For 2007/2008 employers' contributions of £12.7m were payable to the PCSPS (2006/2007 £12.7m) at one of the four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2008/2009, the salary bands will be revised but the rates will remain the same (the rates will be changing with effect from April 2009). The contribution rates are set to meet the cost of benefits accruing during 2007/2008 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £68k were paid to one or more of the panel of three appointed stakeholder pension providers (2006/2007 £37k). Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

Contributions due to the partnership pension providers at the balance sheet date were £14k (£6k 2006/2007).

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

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions

payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

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

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

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

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

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

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

	2007/2008	2006/2007
Rate of increase in salary	4.30%	4.30%
Rate of increase in pension payment and deferred pensions	2.75%	2.75%
Rate used to discount scheme liabilities	5.30%	4.60%
Inflation assumption	2.75%	2.75%
	2007/2008	2006/2007
	£000	£000
Present value of scheme liabilities	273	224
	2007/2008	2006/2007
	£000	£000
Analysis of amount charged to operating profit		
Current Service Cost (net of employee contributions)	34	23
Interest on pension liabilities	11	7
	45	30
	2007/2008	2006/2007
	£000	£000
Analysis of amount recognised in the Statement of Recognised Gains and Losses		
Experience losses	7	30
Effect of changes in discount rate	(30)	0
Effect of changes in mortality assumption	15	0
Effect of changes in other demographic and financial assumptions	0	35
	(8)	65
Experience losses as a percentage of the present value of scheme liabilities at the balance sheet date	2.60%	13.30%
Total actuarial losses as a percentage of the present value of scheme liabilities at the balance sheet date	(2.90)%	28.90%
	2007/2008	2006/2007
	£000	£000
Movement in scheme liabilities during the year		
Scheme liabilities at beginning of the year	224	118
Movement in year:		
Current service cost (net of employee contributions)	34	23
Employee contributions	12	11
Interest cost	11	7
Actuarial loss/(gain)	(8)	65
	273	224

8 Other operating costs

	2007/2008 £000	2006/2007 £000
Genesis system	28,726	20,124
IBM E-nabling contract	13,563	7,074
Estates recharges from Defra	10,863	7,068
Staff travel and subsistence costs	5,541	4,152
Consultancy	4,017	3,002
Staff support costs	3,532	2,548
Shared Service recharges	3,623	2,546
Estates management	3,125	6,315
International subscriptions	1,956	1,759
IT services	1,657	1,178
Printing and stationery	1,181	907
Vehicle costs	517	703
Other support costs	443	230
Equipment and consumables	362	699
Postage	288	356
NAO audit fee for the year	198	274
Other audit fees	178	19
Members' travel and subsistence	112	74
Cartographic support	110	352
Members' other support costs	30	6
Interest payable	7	0
Provision for bad debts	(68)	101
Other IT system service provision	0	3,926
Bad debts	0	1
	79,961	63,414
The above costs include:		
Operating lease rentals	652	711

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

It is Natural England's responsibility to administer the major part of the Rural Development Programme for England with payments made via the Rural Payments Agency (RPA), which is the delegated paying agency. As a consequence there is around £317m (2006/2007 £300.0m) of gross programme spend administered by Natural England but accounted for by Defra. These funds are administered using the Genesis system.

The Genesis system is owned by Defra who bear the risk and rewards of the asset. Although the system is not fully in use it is a core system utilised by Natural England. Natural England therefore has an operating cost as a reflection of recharges from Defra in respect of depreciation, capital costs and running costs.

The 2006/2007 NAO audit fee of £274k comprises audit fees of £266k and £8k of fees incurred in the previous year.

9 Programme expenditure

	2007/2008 £000	2006/2007 £000
SSSI Land Management agreements		
Management agreements	6,025	6,852
Management agreement works	2,910	3,360
Management agreement works reimbursed to owner/occupiers	2,122	3,658
	11,057	13,870
Biodiversity		
General	3,379	2,230
Species	1,354	1,405
	4,733	3,635
Science	4,953	6,748
Access to environment	4,807	3,161
England Catchment Sensitive Farming Delivery initiative	4,254	3,449
Farm advice	3,583	6,502
Other payments	1,116	1,997
Land rental	841	643
National Nature Reserves	826	1,582
Policy	656	529
Contributions to partners	235	1,329
Maintenance	169	146
Farm and livestock costs	116	164
Purchase of heritage land	41	158
	37,387	43,913

10 Grants

	2007/2008 £000	2006/2007 £000
Areas of Outstanding Natural Beauty	10,047	10,266
Catchment Sensitive Farming - capital grants	4,645	0
Aggregates Levy Sustainability Fund (ALSF)	4,592	4,209
Access and National trails	4,186	3,754
Countdown 2010	1,920	1,833
Reserve enhancement Scheme	957	1,017
Other grants	463	2,287
Growth Areas	347	0
Walking the Way to Health	328	364
Local Heritage Initiative	0	2,034
Doorstep Greens	0	547
Biodiversity	0	162
Wildspace!	0	142
	27,485	26,615

£18.1m (2006/2007 £17.1m) of the above grants were paid to other government bodies and £9.4m (2006/2007 £9.5m) were paid to the private sector.

Forward commitments on offers made and accepted at or by 31 March 2008 totalled £7.4m (2006/2007 £12.3m) including £0.6m for National Trails (2006/2007 £3.4m), £6.8m for AONBs (2006/2007 £6.8m) and £nil for Countdown 2010 Biodiversity Action Fund (2006/2007 £1.9m).

11 Information and publicity

	2007/2008 £000	2006/2007 £000
Information	1,834	875
Shows, events and education	875	721
Other	253	312
Publications	91	354
	3,053	2,262

12.1 Intangible fixed assets

	Software licenses £000	Share of JNCC assets £000	Total £000
Cost or valuation:			
At 1 April 2007	0	82	82
Additions	442	9	451
Disposals	0	0	0
Revaluation	0	(2)	(2)
Transfer from Defra	47	0	47
Change in share of JNCC	0	(28)	(28)
At 31 March 2008	489	61	550

Amortisation:

At 1 April 2007	0	33	33
Charged in year	47	10	57
Disposals	0	0	0
Revaluation	0	(2)	(2)
Change in share of JNCC	0	(12)	(12)
At 31 March 2008	47	29	76

Written down values:

at 31 March 2008	442	32	474
at 31 March 2007	0	49	49

Cumulative provision for impairment:

at 31 March 2008	(13)	(7)	(20)
at 31 March 2007	0	(11)	(11)

12.2 Tangible fixed assets

	Freehold land £000	Freehold buildings £000	Improvements to leasehold £000	Plant £000	Vehicles £000	Other equipment £000	Information technology £000	Breeding stock £000	Assets under construction £000	Share of JNCC assets £000	Total
Cost or valuation:											
At 1 April 2007	1,351	3,219	0	4,243	4,038	4,049	0	57	0	489	17,446
Assets identified not previously recorded	0	0	0	0	279	0	0	0	0	0	279
Additions	0	0	406	175	0	45	3,016	0	647	6	4,295
Disposals	0	0	0	(128)	(192)	(47)	0	0	0	(9)	(376)
Revaluation	140	281	13	347	(42)	117	(120)	8	0	12	756
Change to estimation technique	0	0	0	(785)	(3)	(503)	0	0	0	0	(1,291)
Change in share of JNCC	0	0	0	0	0	0	0	0	0	(165)	(165)
At 31 March 2008	1,491	3,500	419	3,852	4,080	3,661	2,896	65	647	333	20,944
Depreciation:											
At 1 April 2007	0	147	0	2,640	2,744	2,614	0	0	0	323	8,468
Assets identified not previously recorded	0	0	0	0	154	0	0	0	0	0	154
Charged in year	0	163	21	265	501	327	0	0	0	27	1,304
Disposals	0	0	0	(99)	(165)	(47)	0	0	0	(9)	(320)
Revaluation	0	(148)	1	224	(33)	83	0	0	0	8	135
Change to estimation technique	0	0	0	(538)	(1)	(375)	0	0	0	0	(914)
Change in share of JNCC	0	0	0	0	0	0	0	0	0	(109)	(109)
At 31 March 2008	0	162	22	2,492	3,200	2,602	0	0	0	240	8,718
Written down values:											
at 31 March 2008	1,491	3,338	397	1,360	880	1,059	2,896	65	647	93	12,226
at 31 March 2007	1,351	3,072	0	1,603	1,294	1,435	0	57	0	166	8,978

As at 31 March 2008 Natural England had commitments under the capital programme of £180k (2006/2007 £120k).

12.3 Fixed Assets Non-Operational Heritage assets

As at 31 March 2007 there were 222 National Nature Reserves (NNRs) in England declared under several categories; 131 NNRs are owned by or leased by Natural England or are under Nature Reserve Agreements (NRA) and 91 NNRs are wholly or partly managed by an Approved Body. During the year Natural England declared no new NNRs.

	As at 31 March 2008	As at 31 March 2007
	Hectares	Hectares
The hectareage of the 131 NNRs under Natural England's control is as follows:		
NNRs owned and managed by Natural England	19,872	19,872
NNRs leased and managed by Natural England	29,877	29,774
NNRs under Nature Reserve Agreements	15,117	15,117
	64,866	64,763
91 NNRs managed wholly/partly by Approved Bodies	28,237	28,237

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

13 Notional costs	2007/2008	2006/2007
	£000	£000
Shared conservation	6	8
Cost of capital	(1,394)	(102)
	(1,388)	(94)

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

14.1 Debtors due after one year	2007/2008	2006/2007
	£000	£000
Accrued income	105	251
Housing loans to staff	53	79
	158	330

As at 31 March 2008, loans over £2,500 outstanding to staff both due within one year and after one year amounted to £43,833 (£85,212 at 31 March 2007). The numbers of staff in receipt of loans over £2,500 outstanding at 31 March 2008 were:

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

None of the Executive Directors had any loans outstanding at 31 March 2008.

14.2 Debtors falling due within 1 year

	2007/2008 £000	2006/2007 £000
Accrued income	1,650	2,204
Trade debtors	438	1,327
Shared conservation	353	598
Other debtors	455	588
VAT receivable	0	58
Prepayments	364	53
	3,260	4,828

15 Stocks

	2007/2008 £000	2006/2007 £000
Farm stocks	62	56
Publications - share of JNCC stock	22	44
	84	100

16 Short term investments

	2007/2008 £000	2006/2007 £000
Balance as at 1 April	156	149
Bequests received	81	0
Interest received	6	7
Balance as at 31 March	243	156

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

17 Cash at bank and in hand

	2007/2008 £000	2006/2007 £000
Balances held in Paymaster General accounts	6,846	18,793
Balances held in commercial accounts	609	1,964
JNCC balances	102	244
	7,557	21,001

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

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

18 Current liabilities

	2007/2008 £000	2006/2007 £000
Defra	48,699	21,479
Accruals	21,786	22,370
Trade creditors	14,476	9,972
Taxation and Social Security	1,761	1,662
Deferred income	1,288	961
Deferred Catchment Sensitive Farming income	968	0
Shared Conservation	451	859
Deferred Aggregates Levy Sustainability Fund income	5	335
VAT creditor	58	2
Other creditors	0	361
Balance at 31 March	89,492	58,001

The liability owed to Defra at 31st March 2008 comprises of £28.8m in relation to the full year charges for the Genesis system, £15.1m in relation to the IBM E-nabling contract and £4.8m in relation to estates recharges.

19.1 Deferred EU Revenue Grant

	2007/2008 £000	2006/2007 £000
Balance brought forward at 1 April	344	450
Interest receivable	2	6
Revenue grant received in the year	(97)	97
	249	553
Transferred to Natural England income	(210)	(209)
Balance at 31 March	39	344

19.2 Deferred EU Capital Grant

	2007/2008 £000	2006/2007 £000
Balance brought forward at 1 April	4	9
Transfer to Operating Cost Statement to cover depreciation for the year	(4)	(5)
Balance at 31 March	0	4

20 Early retirement and severance provision

	2007/2008 £000	2006/2007 £000
Balance brought forward at 1 April	807	1,868
Provided in the year for pension and severance costs due after 31 March	8,571	27
Provision utilised in the year	(162)	(818)
Transferred to Defra at vesting	0	(270)
Balance at 31 March	9,216	807

This provision represents the liability for severance and pension payments relating to the 2007-08 Voluntary Early Retirement and Severance programme and earlier programmes. Pension payments cover the period from the date of early retirement until normal retirement age.

The liabilities for pensioners who retired early prior to 1 September 2002 were taken over by the Principal Civil Service Pension Scheme.

21 Redundancy provision	2007/2008 £000	2006/2007 £000
Balance brought forward at 1 April	0	1,108
Provided in the year	0	388
Provision utilised in the year	0	(249)
Transferred to Defra at vesting	0	(1,247)
Balance at 31 March	0	0

22 Restructuring provision	2007/2008 £000	2006/2007 £000
Balance brought forward at 1 April	0	735
Restructuring costs paid	0	(735)
Balance at 31 March	0	0

23 Provision for pension costs	2007/2008 £000	2006/2007 £000
Balance brought forward at 1 April	226	2,317
Provision for year	12	11
Actuarial Adjustment	35	140
Change in share of JNCC pension provision	0	1
Transferred to Defra at vesting	0	(2,243)
Balance at 31 March	273	226

This provision represents future liabilities under separate pension schemes described as “by analogy to the main scheme” which has been set up by Defra for Sir Martin Doughty, Chair and Poul Christensen, Deputy Chair. See note 7.4.

Included within the provision is a balance of £2k (2006/2007 £2k) relating to Natural England’s share of the provision for pension costs held within JNCC.

24 Provision for dilapidations and onerous contracts

	Dilapidation costs £000	Onerous contract costs £000	Total provision £000
Balance brought forward at 1 April	0	0	0
Provided in the year	684	291	975
Balance at 31 March	684	291	975

This provision represents future payments Natural England expects to incur as a result of terminating our occupancy of a number of buildings under the Estates Transition Programme.

25 Revaluation reserve

	2007/2008 £000	2006/2007 £000
Balance brought forward at 1 April	682	1,048
Transfer from Revenue reserve	601	0
Assets disposed in year	0	(926)
Revaluations in year	740	560
Balance at 31 March	2,023	682

26 Revenue reserve

	2007/2008 £000	2006/2007 £000
Balance brought forward at 1 April	(24,622)	(3,593)
Grant in Aid received		
Grant in Aid received from Defra - English Nature	0	33,401
Grant in Aid received from Defra - ALSF	5,035	4,934
Grant in Aid received from Defra - Countryside Agency	0	28,906
Grant in Aid received from Defra - RDS	0	45,659
Grant in Aid received from Defra - JNCC	2,952	3,844
Grant in Aid received from Defra - Natural England	169,200	88,000
Grant in Aid received from Defra – Catchment Sensitive Farming	11,112	0
Total Grant in Aid received	188,299	204,744
Less Catchment Sensitive Farming Grant Deferred 07/08	(968)	0
Plus Aggregates Levy Sustainability Grant Deferred 06/07	335	(335)
Less Aggregates Levy Sustainability Grant Deferred 07/08	(5)	0
Grant in Aid credited to reserves	187,661	204,409
Other Government Grants		
Public Grants for NNR Management	0	31
	0	31
Increase in bequests reserve	86	4
Release of revaluation on assets disposed in year	0	926
Transferred to Defra at vesting	0	(2,594)
Net cost for the financial year	(240,636)	(223,809)
Change in share of JNCC	(76)	4
Assets identified not previously recorded	125	0
IT assets attributed to Defra at vesting	47	0
Transfer to Revaluation reserve	(601)	0
Balance as at 31 March	(78,016)	(24,622)

27 Note 1 to the Cash Flow Statement

Reconciliation of net cost to net cash flow from operating activities

	2007/2008 £000	2006/2007 £000
Net operating cost of activities	(240,645)	(223,283)
Increase in creditors net of fixed asset creditor	28,172	22,813
Decrease in debtors net of interest debtor	1,762	5,602
Net transfer to early retirement provision	(91)	(791)
Depreciation charge	1,738	2,301
Impairment of asset values	121	0
Decrease in stocks	16	30
Transfer to pension provision	47	151
JNCC Notional costs	6	8
Decrease in investments (including JNCC)	(76)	4
Release from deferred EU grants	(210)	(210)
Increase in redundancy provision	8,500	139
Transferred to Defra at vesting	0	(2,186)
Net transfer from restructuring provision	0	(734)
Provision for dilapidations and onerous contracts	975	0
Assets identified not previously recorded	171	0
Net cash outflow from operating activities	(199,514)	(196,156)

28 Note 2 to the Cash Flow Statement

Reconciliation of net cash flow to movement in net funds

	2007/2008 £000	2006/2007 £000
(Decrease)/increase in cash in the period	(13,444)	9,646
Change in net funds	(13,444)	9,646
Net funds at 1 April	21,001	11,355
Net funds at 31 March	7,557	21,001

29 Operating leases

As at 31 March 2008 Natural England had annual commitments under operating leases as set out below:

Operating leases which expire:	Land £000	Buildings £000
Within one year	71	30
In the second to fifth year inclusive	22	63
Over five years	421	45
	514	138

30 Contingent liabilities

There are currently two legal cases which are outstanding.

The first case is a challenge to the confirmation of a SSSI by Natural England; it is not possible to predict the likely outcome. The potential liability if the case is ruled against Natural England will be Natural England's legal costs and those of the challenger. As these costs are accruing as the case progresses it is not possible to estimate the total potential liability, but we do not believe this will have any material impact.

The second case relates to an employee who was injured on a National Nature Reserve in October 2005. An offer to settle has been made of 5k with a possible further £2k to be paid if further dental work is required as a result of the accident.

31 Contingent assets

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

32 Losses and special payments

During the year, eight losses were identified totalling £15,657 (18 totalling £18,231 in 2006/2007). There were two special payments this year totalling £400 (2 valued at £500 in 2006/2007).

33 Post balance sheet events

There were no post balance sheet events. These accounts were authorised for issue on 9 July 2008.

34 Intra-Government Balances

	Debtors: amounts falling due within one year £000	Debtors: amounts falling due after more than one year £000	Creditors: amounts falling due within one year £000	Creditors: amounts falling due after more than one year £000
Balances with other central government bodies	923	0	52,124	0
Balances with local authorities	8	0	3,920	0
Balances with NHS Trusts	37	0	5	0
Balances with public corporations	0	0	257	0
Balances with bodies external to government	2,292	158	33,186	0
Total at 31 March 2008	3,260	158	89,492	0
Balances with other central government bodies	1,264	0	22,710	0
Balances with local authorities	62	0	1,450	0
Balances with NHS Trusts	0	0	0	0
Balances with public corporations	0	0	20	0
Balances with bodies external to government	3,502	330	33,821	0
Total at 31 March 2007	4,828	330	58,001	0

35 Related party transactions

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

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

Member/ senior Staff	Corporate related body	Total payments made £000	Total income received £000	Amount owed by Natural England at 31/03/08 £000	Amount owed to Natural England at 31/03/08 £000	Nature of transaction
M Appleby	Wildlife Trust for Beds, Cambs, Northants & Peterborough	523	0	189	0	Goods and services
P Christensen	Agricultural Central Trading Limited	2	0	2	0	Goods and services
L Crowe	Forestry Commission	291	209	2	56	Goods and services
M Denton- Thompson	Learning through Landscapes Trust	17	0	0	0	Goods and services
T Hams	Peak District National Park Authority	332	6	139	0	Goods and services
T Hams	Association for National Park Authorities	56	25	0	0	Goods and services
D Hulyer	Surrey Wildlife Trust	71	0	15	0	Goods and services
D Hulyer	Heritage Lottery Fund	0	23	0	2	Goods and services
D MacDonald	Wildfowl and Wetlands Trust	1	0	0	0	Goods and services
C Pennell	Peak District National Park Authority	332	6	139	0	Goods and services
C Pennell	Heritage Lottery Fund	0	23	0	2	Goods and services
J Smyllie	Telos Partners	190	0	0	0	Goods and services
P Warhurst	Pennine Prospects	12	0	0	0	Goods and services

Board Members This is a summary of Board Members' Interests for 2007/2008.

Sir Martin Doughty (Chair)

Date appointed: 2 October 2006
Appointed until: 30 September 2009

Following a career as a lecturer in Environmental Management at Sheffield Hallam University, Martin, from Derbyshire, developed his expertise and interest in nature conservation alongside landscape and access work as Chair, The Peak District National Park Authority. He has held a wide range of key roles in the public and voluntary sectors, including Leader of Derbyshire County Council from 1992 until 2001. Martin has also been a Board Member for the Countryside Agency (1999 – 2005) and was the Chair of English Nature before being appointed as Chair for Natural England.

He was knighted in 2001 for services to local government in Derbyshire and he received Honorary Doctorates from Sheffield Hallam University in 2002, Cranfield University in 2005 and Derby University in 2006.

Sir Martin holds office in a number of organisations:

Chair	Torr Vale Mill BP Trust
Vice President	Peak & Northern Footpaths Society and the Arkwright Society
Patron	IEEM and Creswell Heritage Trust
Fellow	Royal Society of Arts
Member	CIWEM, BBC Rural Affairs Committee, RSPB, Labour Party, National Trust, New Mills Heritage Centre Management Committee and Green Alliance

Dr Helen Phillips (Chief Executive)

Date appointed: 27 February 2006
Appointed until: 30 September 2009

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

Helen was appointed for her track record in leading organisational change, to create a high performing organisation where pursuit of efficiency programmes will deliver increased investment in the natural environment. Natural England aspires to be the environmental commentator of choice, Helen's trenchant advocacy in her role as CEO will be key to achieving this.

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

Mr Poul Christensen (Deputy Chair)

Date appointed: 2 May 2006

Appointed until: 30 September 2009

Poul farms in a family partnership at Kingston Farm, in Oxfordshire. A founder of the Tenant Farmers' Association in 1981, he is committed to tenant farming and has a keen interest in conservation. He is currently a Director of the Agricultural Central Trading and has served as a Chair of many agricultural organisations. He is a member of the Defra Management Board and a Board Member of the DTI South East England Regional Development Agency. He was Chair of the Rural Development Service before taking up the appointment of Deputy Chair for Natural England.

Poul is a member of the Joint Nature Conservation Committee's Board and their Audit and Risk Management Committee as Natural England's representative.

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

Mr Peter Allen: Farmer

Date appointed: 2 May 2006

Appointed until: 30 September 2009

Responsibilities include: North West region (except Mersey belt) and Lake District National Park

Peter is a 17th generation Lakeland tenant hill farmer. He is also Chairman for the North West Regional Management Board of the National Farmers Union, Responsible use of Medicines Alliance and the EU Sheep Advisory Committee. He also holds membership of the Moorland Access Advisory Group, NOAH Code of Practice Committee, North West REPAC and Standing Conference for Country Sports.

Ms Melinda Appleby: Agriculture and Environment Consultant

Date appointed: 2 May 2006

Appointed until: 30 September 2008

Responsibilities include: East of England region and Broads Authority

Melinda specialises in sustainable land management and is an independent consultant in agriculture and environment. She is a member of the Consumer Council for Water- Eastern region, a Council Member of the Royal Agricultural Society of England, a member of LEAF's nominated Strategic Development and Policy Committee, to October 2007 was a trustee of the Wildlife Trust - Cambs, Beds, Northants and Peterborough, and from February 2008 is a trustee of the Thornham Field Centre Trust. Melinda was a Council Member for English Nature from 1998-2004 and a Board Member of the Rural Development Service from 2005-2006, before taking up the appointment of Board Member for Natural England.

Melinda holds ordinary membership in NFU Countryside, CLA, The Farmers Club and the National Trust.

Ms Sarah Burton: Campaign Director

Date appointed: 2 May 2006

Appointed until: 30 September 2009

Responsibilities include: London region

Sarah is a lawyer by training. In January 2006 she was appointed Campaign Programme Director for Amnesty International. Between 1990 and 2001, Sarah held various positions with Greenpeace UK and is currently a Trustee of Greenpeace Environmental Trust. She is also a Director of Canonbury Villas Limited and Laser Kilns Limited.

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

Dr Roger Clarke: Landscape and Rural Business Advisor

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

Responsibilities include: National lead for National Parks and Areas of Outstanding Natural Beauty

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

Roger was a member of the Governance Commission of the Association of Chief Executives of Voluntary Organisations. He was also a Trustee of Woodbrooke College, Birmingham, a member of the Advisory Council of the Rural Economy and Land Use programme, and a member of the Green Alliance.

Professor Lynn Crowe: Environmental Management

Date appointed: 2 May 2006
Appointed until: 30 September 2009

Responsibilities include: Yorkshire and the Humber region and Peak District National Park

Lynn is Professor of Environmental Management at Sheffield Hallam University and responsible for the management of the Countryside Recreation Network. She is also Chair of the Social Science Research Advisory Group at the Forestry Commission.

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

Ordinary membership is held in the Royal Society for the Protection of Birds and the Campaign for the Protection of Rural England.

Mr Merrick Denton-Thompson: Rural Advisor

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

Responsibilities include: South East region and South Downs National Park

Merrick was Assistant Director of Environment at Hampshire County Council. He is a trustee of the Learning Through Landscapes Trust, Marwell Zoo and A Place2Be Trust, as well as a Rural Adviser to the Local Government Association and a Patron of the English Rangers Association. He holds membership of the Landscape Institute.

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

Professor Michael Depledge: Ecotoxicologist

Date appointed: 2 May 2006
Appointed until: 30 September 2009

Responsibilities include: South West region (Devon and Cornwall) and Dartmoor National Park

Michael is Chair of Environment and Human Health at the Peninsula Medical School, Devon. He is a Member of the Royal Commission on Environmental Pollution. He is also Visiting Professor in the Department of Zoology, Oxford University and Vice Chairman of the Science Advisory Committee of DG-Research in the European Commission. He is a Fellow of the Institute of Biology and the Royal Society of Arts.

Michael was formerly Chief Scientific Advisor to the Environment Agency (2002-2006), a Board Member of the Natural Environment Research Council, and an Honorary Visiting Scientist at Harvard University.

Mr Tony Hams: Sustainable Development and Planning

Date appointed: 2 June 2006

Appointed until: 30 September 2008

Responsibilities include: The New Forest and North York Moors National Parks

Tony is the Chair of the UK Association of National Park Authorities, the Peak District National Park Authority and the Heritage Lottery Fund Committee for the East Midlands where he is also a member of the Regional Sports Board. Until 2006 he was a trustee and chair of the Green Alliance. He has a professional background in planning, conservation, recreation and sustainable development. Tony was a Countryside Agency Board Member from 2000-2006, leading on protected areas, planning and energy issues before joining the Natural England Board. He was awarded an OBE in 2000 for services to sustainable development.

Professor David Hill: Ecological Consultant

Date appointed: 2 May 2006

Appointed until: 30 September 2009

Responsibilities include: North East region and Northumberland National Park

David has significant experience in consultancy, nature conservation and company business strategy. He runs an ecological consultancy company, is Chairman of The Environment Bank Ltd and was previously Chief Scientific Adviser to RPS Group plc. David is a Fellow and past President of the Institute of Ecology and Environmental Management. He has published extensively on ecological issues and currently he is a Director of the Yorkshire Dales Rivers Trust and non-executive Director of Thomson Ecology.

David is a member of the Joint Nature Conservation Committee's Board and their Audit and Risk Management Committee as Natural England's representative. David is a member of the RSPB and a life member of the National Trust.

Mr Doug Hulyer: Communications, Learning and Ecotourism

Date appointed: 2 May 2006

Appointed until: 30 September 2010

Responsibilities include: South West region (except Devon and Cornwall) and Exmoor National Park

Doug is an independent advisor on People and Nature programmes and projects. He was previously the Director of Conservation Programmes for the Wildfowl & Wetlands Trust. Doug is a committed environmentalist, environmental educator and conservationist with over 30 years professional experience. He is a Trustee of the National Heritage Memorial Fund/Heritage Lottery Fund and a member of HLF's South West Committee.

Doug is currently Chair of the Wetland Vision Project, Vice-President of the Surrey Wildlife Trust, a member of the Learnings Panel of the National Trust and Chair of the Education and Public Understanding Group for England Biodiversity Strategy. He also holds memberships in The Great Fen Project Foundation, Gloucestershire Wildlife Trust, English Heritage, Wildfowl & Wetland Trust, Freshwater Biological Association, Institute of Biology, Institute of Directors, The Chartered Institute of Water and Environmental Management and the National Trust.

Doug was a Council Member for English Nature between 2002-2006, before taking up the appointment of Board Member for Natural England.

Professor David Macdonald: Mammal Biologist

Date appointed: 2 May 2006

Appointed until: 30 September 2008

David is the Professor of Wildlife Conservation and the Director (and founder) of the Wildlife Conservation Research Unit at Oxford University. He is also Chairman of the Darwin Advisory Committee, Defra. David was awarded the 2004 Dawkins Prize for contributions to wildlife conservation and in 2006 awarded the Merriam Medal for outstanding contributions to mammalian research by the American Society of Mammalogists.

Other relevant interests are Non Executive Director for The Nature Bureau, Director of the Oxford Stress Diagnostics and Oxford Medi-Stress. He is also Senior Research Fellow of Lady Margaret Hall and a Board Member of the Wildfowl and Wetlands Trust.

David was a Council Member for English Nature from 2003-2006, before taking up the appointment of Board Member for Natural England and is Chairman of Natural England's Science Advisory Committee.

Mr Christopher Pennell: Formerly Regional Director, National Trust

Date appointed: 2 May 2006

Appointed until: 30 September 2009

Responsibilities include: East Midlands region

Christopher has spent 27 years in the coal industry, 10 as the National Trust's East Midlands Director, 13 years as a Parish Councillor and three as a trustee of CPRE in the Peak District and South Yorkshire. He is currently the Secretary of State nominated Member and Vice-Chair of its Services Committee, Peak District National Park Authority and a Chairman of the Countryside Awards Panel of CPRE (Peak District and South Yorkshire). A member of the East Midlands Committee of the Heritage Lottery Fund and holds ordinary membership of The Friends of the Peak District, CPRE; National Trust; English Heritage; Sheffield Wildlife Trust; Friends of Sheffield Botanical Gardens; Friends of Sheffield Museums and Galleries and Member, Liberal Democrat Party.

Christopher was a Council Member for English Nature from 2005-2006, before taking up the appointment of Board Member for Natural England. Christopher is Chair of Natural England's Audit & Risk Management Committee.

Ms Pam Warhurst: Environment

Date appointed: 2 May 2006

Appointed until: 30 September 2010

Responsibilities include: North West region (Mersey belt) and Yorkshire Dales National Park

Pam is currently a Fellow of the Royal Society of Arts and Manufacturing, and Chair of a social enterprise in the North of England. She also chairs the Pennine Prospects, a regeneration company for the South Pennines. Pam is a Partner in Bear Café and an ordinary member of The National Trust and was a Board Member of the Plunkett Foundations Rural Review Board to December 2007.. Her other previous posts include Chair of a Health Trust, Leader of a Local Authority, a member of an RDA and a member on Committee of Regions.

In 2005 Pam was awarded the CBE in recognition of her services to the environment. Pam was Deputy Chair of the Countryside Agency before taking up the appointment of Board Member for Natural England.

Glossary

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

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

Environmental Stewardship has three elements: Entry Level Stewardship (ELS) Organic Entry Level Stewardship (OELS) Higher Level Stewardship (HLS) ELS is a point-based scheme that gives farmers a number of options for managing their land in an environmentally-sensitive way. OELS is similar but is geared to organic farming systems. HLS builds on ELS and OELS but concentrates on individually tailored agreements that deal with more complex types of land management.

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

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

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

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

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

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

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

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

Countdown 2010 – a scheme designed to halt biodiversity loss by 2010.

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

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

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

Energy Crops Scheme (ECS) See Agri-environment schemes – The scheme, which replaces the Energy Crops Scheme 2000–2006, will provide grants to land managers to plant *Miscanthus* (Elephant Grass) and Short Rotation Coppice crops to produce biomass energy. Energy crops are used as a substitute for fossil fuels and can help mitigate climate change.

Entry Level Stewardship (ELS) See Agri-environment schemes

Environmental Stewardship See Agri-environment schemes

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

Equality Impact Assessments (EIA) a process that enables checks on how a service or policy affects groups of people covered by equalities legislation and to then make any necessary changes.

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

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

Higher Level Stewardship (HLS) See Agri-environment schemes

Land Use Policy Group (LUPG) comprises representatives from the UK statutory conservation, countryside and environment agencies.

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

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

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

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

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

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

Organic Entry Level Stewardship (OELS) See Agri-environment schemes

RAG status A qualitative assessment of performance as one of Green – on target, Amber Green – Caution leading towards on target, Amber Red – Caution leaning towards below target, Red – Below Target, Black – Interim definition: Action to deliver or reprioritise this Target is required immediately.

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

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

SSSI condition is assessed as:

Favourable – all the notified features on the site are meeting their conservation objectives.

Unfavourable recovering – some or all of the notified features are not meeting their objectives but all management measures are in place to bring about full recovery. It may take several years before the site can be assessed as 'favourable'.

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

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

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

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

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

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

Sustainable Development Fund (SDF) reflects Defra's objectives of sustainable development, partnership and social inclusion. It will aid the achievement of National Park purposes by encouraging individuals, community groups and businesses to cooperate together to develop practical sustainable solutions to the management of their activities.



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