

# Natural England Annual Report and Accounts

1 April 2015 to 31 March 2016

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# Natural England

Annual Report and Accounts  
1 April 2015 to 31 March 2016

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Natural Environment and Rural Communities Act 2006.

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# Performance Report

## Overview

### Chief Executive's Statement

Natural England's role is to create conditions in which nature and our economy can thrive together. Acting as a key part of the Defra group, we provide practical advice on the Environment to decision-makers and customers, grounded in science, technical expertise and our local knowledge. In addition to this we deliver services on behalf of Defra, including agri-environment schemes, wildlife licensing and the England Coast Path.

In this reporting year our Chairman and I have continued our focus on making significant contributions to the development and operationalisation of the Defra Strategy and Single Departmental Plan through closer working within the Defra Group and the ongoing transformation of Natural England.

With our emerging vision for Natural England 2020 at the heart, we have driven forward the development of our refreshed strategic and operating framework. Underpinned by the 4 pillars of our i) Conservation Strategy; ii) comprehensive reform program; iii) Organisational Development plan; and iv) our Outcomes Approach; Natural England has continued to improve so that we can deliver better environmental outcomes, improved customer service and efficiency at reduced cost. With the Environmental Outcomes we will deliver now clearly set out in our 14 Area Plans, we will ensure our full contribution to the 25 year Environment plan and cross cutting Defra Group themes such as emergency response, biosecurity and Open Data.

Our emerging Conservation Strategy is now driving significant changes in Natural England, through the following strategic shifts: Creating resilient landscapes & ecosystems; Putting people at the heart of the environment; Enhancing natural capital; Making shared plans for places; and Changing how we work. Embedding these shifts at the heart of our operating model is delivering powerful results, exemplified by our pilot of a new approach to great crested newt licensing with Woking Borough Council. This innovative strategic mitigation and licensing service aims to deliver more for newts whilst helping developers and the Local Authority to meet housing demand.

Our work on HS2 is a great example of our practical advice making a difference to the real world. Our detailed work with this huge project over a number of years is helping to inform decisions about the route and ensure that impacts on the environment are avoided, minimised or compensated for. The work is invaluable as HS2 aims to minimise impacts where they occur and deliver enhancements as far as practicable to attain no net loss to the natural environment.

I have continued to focus on making a bigger impact through our 'Outcomes Approach' by establishing a culture of local empowerment in the organisation, encouraging our staff to listen to others and to take time to build shared results on the ground. This approach is critical in helping us focus on delivering better results across our business. For example, in Dorset, our Area Team has developed a better way of mitigating development impacts on rare reptiles, which is being recognised as one of the biggest reptile conservation projects in the area for decades. We have used this approach to work with other organisations on the South Humber Gateway project, to incorporate large areas of habitat for migrating birds within the industrial allocation, helping to unlock economic potential in the area to deliver a world class economy alongside a world class environment.

This year we have continued to make great strides on Open Data. We are transforming how we generate data, for example through our work on Earth observation and the exploration of drone technology. We are gathering higher quality data more efficiently, including testing the use of tablets with our own App to gather ecological data in the field. We exceeded our original contribution to the Defra in-year target to release 8,000 new datasets by 200%. We continue to improve the accessibility of the evidence and data we generate. Nearly 2500 people used our MAGIC mapping system each day. In addition, downloads from Natural England's 'Access to Evidence' internet pages passed the one million mark as, since April 2015, we have made 157 evidence reports and 1,030 datasets available to the public.

Through our highly skilled and dedicated workforce we have forged ahead to provide more choice in our service and to meet strong demand from the development sector for our enhanced commercial services. This increase has been well received by our customers with Natural England achieving an overall satisfaction rating of 89% from its point of service feedback. 88% of planning consultations were responded to within the required 21 days or other agreed timeframe. Natural England responded to over 43,000 terrestrial and marine consultations in 2015/16.

We have strengthened significantly our ability to access external funding; our 'Back from the Brink' project has been awarded a £4.6m grant from the Heritage Lottery Fund (HLF). The project will save 20 species from extinction and protect another 118 species that are in decline. We were instrumental in the success of the £19m HLF and LIFE funded project 'Unlocking the Severn for People and Wildlife', which will restore the estuary and its rivers for migratory fish species. In December, we became the first Defra Body to fund successfully a project through crowd sourcing, successfully harnessing people's passion for their local nature to improve significantly our wildlife viewing facilities for visitors to the Shapwick Heath National Nature Reserve.

This year has not been without its challenges, and we have had to work hard to meet the needs of customers through the launch of Countryside Stewardship. The dedication and expertise of our superb work force has helped us to keep delivering; we have evaluated the lessons learned as we progress and have applied these to improve our ways of working. Performance remains high and by 16 May we had received 98.3% of ES legacy and 97.55% of CS claims, we recognise that we can make further improvements to the delivery of our services and for the wellbeing of our staff and we are committed to doing that.

Looking forward to 2016/17 we will contribute proactively to the Defra group to deliver the 25 year Environment Plan and will continue to lead the integration of our functions and work with others, notably the Environment Agency, to align boundaries; consolidate our progressive programme of planning and licensing reforms to support the Government's ambitious housing and infrastructure targets whilst improving the environment. Through our ongoing reform program we will maintain a focus on our delivery priorities including Biodiversity 2020, the delivery of Environmental Stewardship Schemes, and water quality improvement's, natural flood management and the Coastal Path. Through our expert advice, we will continue to support Defra's ambitious program of marine designations; and increase our financial resilience by doubling our non-GIA income.



**James Cross**  
Chief Executive,  
Natural England

4 July 2016

## Our purpose and activities

Natural England was created as a Non Departmental Public Body (NDPB) under an Act of Parliament – the Natural Environment and Rural Communities (NERC) Act 2006, and we are formally accountable to the Secretary of State for the Environment, Food and Rural Affairs (Defra), who is accountable to Parliament for our activities and performance. Our general purpose is “to ensure that the natural environment is conserved, enhanced and managed for the benefit of present and future generations, thereby contributing to sustainable development.”

### The Defra Strategy

As part of the Defra Group the work that we do to fulfil our statutory purpose contributes to the Defra Strategy. The Defra Strategy sets out a shared vision and set of strategic objectives for the whole of the Defra Group for the period up to 2020. It is intended to provide staff across the whole group of Defra organisations (including non-ministerial departments, executive agencies, non-departmental and other public bodies) with a clear, shared framework. Actions to achieve the strategic objectives are described in more detail in Defra’s Single Departmental Plan.

The strategy provides a clear unifying framework as to how Defra group organisations will design and deliver their goals, and how Defra will track delivery and measure success across the whole of the Defra group. At the heart of the strategy is a shared vision for the Defra group: creating a great place for living.

Defra Strategy goals are focused on four impact objectives, which explain Defra’s ambitious, long term aims, and the positive differences the Defra group will make to the UK by 2020. Defra has one delivery objective, which describes the high levels of service and value for money for the taxpayer which we will strive for.

The strategy sets out two organisational objectives outlining how the Defra group will be organised to deliver, and what Defra will be like: a Defra that will act together, be simpler, avoid duplication, maximise impact, and embrace digital and data.

Cutting across the Defra strategy are four themes that are critical to achieving Defra’s objectives and will deliver important outcomes in their own right: better use of data; increasing productivity; better regulation; and working internationally.

### Our future plans

Natural England’s integrated approach to delivery, with a focus on locally-based partnership projects, means that we contribute across the entire breadth of the Strategy, although with a greater focus on the Environment and Rural Objectives. We are working to establish local area plans with resources concentrated on focus areas and better outcomes through integrated delivery in these areas.

Natural England’s remit is too wide-ranging to deliver on our own. It is vital that we work with the rest of the Defra group, business, civil society and other public sector organisations to get the most out of our collective resources and to deliver better and more joined-up outcomes for the natural environment. In 2015/16 our priorities were:

- To deliver on the core Biodiversity 2020 ambitions – in part by enabling a successful launch of the new Countryside Stewardship Scheme;
- To make real progress on the ambitious programme of marine designations;

- Accelerated delivery of the England Coast path; and
- Effective delivery of planning and licensing duties and, through this, supporting sustainable economic growth.

## Key issues and risks

We continue to follow a consistent approach to risk management across the organisation as set out in our risk and issues management standard. We also continue to work with the Defra Group to establish greater integration, including common language and escalation processes, for risk management. During 2015/16 a number of strategic and operational risks and issues have been identified and managed in line with our Risk Control Framework.

Risk	Actions
<b>Outcomes Approach</b>	
Failure to deliver on the Outcomes Approach (delivering better long-term outcomes for the environment, taking into account the needs of the people we work with and working towards a shared vision) because we are unable to change the way our staff and stakeholders operate.	<p>Proactive programme of engagement with stakeholders through the Chairman, Board Members and Senior Leadership.</p> <p>Develop staff capability to ensure our role, responsibilities and rationale and evidence for our advice is clearly communicated to stakeholders, with a focus on being flexible and pragmatic as we build long-term relationships and shared visions.</p> <p>Ensure that the Outcomes Approach is embedded in Area Team delivery plans and proactive early engagement is prioritised.</p>
<b>Innovation and Reform</b>	
Natural England fails to deliver its medium term financial plan due to not achieving the external funding, income or delivering the reform agenda required.	<p>Work at a high-level to secure the necessary legislative amendments as needed to achieve changes in funding sources.</p> <p>Work with Defra to test and secure support from stakeholders</p>
<b>Organisational Reform</b>	
Natural England fails to modernise and update our business model to ensure that we inform and help develop policy and offer enhanced services to industry and operate effectively at a local and national level, in partnership with others.	<p>Engagement with the Defra Group to develop and implement the objectives set out in the Defra Strategy.</p> <p>Empowering Area Managers and their teams to manage local relationships and expectations giving them confidence that their decisions are outcome focused, evidence based and transparent.</p> <p>Conservation Strategy informs organisation model and reform programmes.</p> <p>Proactive engagement with key national stakeholders.</p>
<b>Workforce Planning &amp; Wellbeing</b>	
Work demands in specific business areas and geographies lead to unacceptable pressures on individual	Continue to deploy skills and resources more flexibly across our frontline services to ease pressure in key skill gap and geographical areas.



staff members with consequent stress/illness and morale issues and ultimately impacting on the delivery of priority work activities.	Investment in reminding line managers about identifying the warning signs regarding staff wellbeing.
<b>Countryside Stewardship Delivery</b>	
A number of risks have been managed, and continue to be managed, in relation to the delivery of the new Rural Development Programme for England. Issues have arisen impacting on customer expectations, delivery of new Countryside Stewardship agreements and support to legacy scheme payments.	Guidance and manual workarounds put in place to allow Countryside Stewardship (CS) agreements to be finalised.
	Agreement with CAPD Programme on which CS improvements need to be prioritised for 2016, which help deliver the greatest environmental outcomes.
	As part of our lesson learned exercise the CS application window has been extended, guidance has been reviewed to ensure it is farmer friendly, there will be increased promotion of the Scheme and a new online option selection tool has been developed to make it easier for applicants to choose the right options for their applications
	We remain heavily engaged with CAPD and continue to monitor progress very closely.

## Going concern statement

Natural England's GIA for 2016/17 is included in the Defra estimates which have been approved by Parliament. We would expect continued support from Defra in future years. It has therefore been considered appropriate to adopt a going concern basis for the preparation of the financial statements.

## Performance Summary

### Countryside Stewardship

Our work to deliver our Environmental Stewardship programme has continued, enhancing agricultural landscapes and benefitting local communities and the rural economy since 2006. This year we have also continued to support land managers through implementing the Countryside Stewardship scheme, continuing with our Catchment Sensitive Farming programme and natural flood management and supported the Rural Payments Agency to deliver their Basic Payment Scheme commitments.

We acted swiftly in response to the winter flooding in the North of England, lifting restrictions to support the response and have dedicated our expertise to work with the Cumbria Floods Partnership to identify catchment-wide management interventions and Stewardship funding levers that can be used to help mitigate future risk, benefitting communities and the environment. We continue to work with the Environment Agency and wider Government to deploy our expert environmental advice and agri-environment levers to reduce flood risk to people and property.

### Protected Sites

In our inshore seas we supported the designation of 1,076ha of Marine Conservation Zones (MCZs) and led work to protect a further 4,155 square miles of rich marine habitats in SPAs to deliver our contribution to the establishment of a blue-belt of protected areas around England's coastline. Towards Biodiversity 2020 this year, we have worked with the Major Landowners Group and other partners and assessed 12,017 hectares of formerly unfavourable SSSI land as reaching favourable condition, including the iconic areas of Salisbury Plain, Rutland Water, North Exmoor, Kielder Mires and the Black Mountains SSSIs. This welcome increase in favourable condition is the first since March 2013 and is a key success of our new local Area Team led approach.

### Access and engagement

Boosting the public's enjoyment of the natural environment and local economies, Natural England continues to work towards establishing the England Coast Path by 2020, which will be the longest coastal walking route in the world at 4,400km. 2015/16 saw us working on 57% of the English coast together with the opening of the Somerset section of the Path, our longest stretch to date, which received significant media and public interest. Initial findings from the Natural Connection demonstration project has made a powerful case for enabling schools to take learning outside the classroom and into the natural environment. The results have shown high levels of improvement in health and wellbeing, engagement and enjoyment for children and greater confidence for teachers.

### Income generation

Local expertise is key to the way we work. As lead partner in the Border Uplands Partnership, the Northumbria Area Team has been successful in securing £1.8m of funding from the Heritage Lottery Fund (HLF) through their Landscape Partnership Programme for the Revitalising Redesdale Project. The partnership includes Northumberland National Park Authority, Tyne Rivers Trust, Ministry of Defence, local parish councils and Natural England. Redesdale, in the far north west of Northumberland, is home to some incredibly important natural and cultural assets, including the freshwater pearl mussel. The project aims to restore 1,600ha of land, work to protect the River Rede, tackle non-native invasive species and reconnect people with the landscape's heritage.

## Advice to Regulators

Due to high demand our customers (primarily housing developers, energy sector and transport companies working on major infrastructure projects) we have extended our enhanced chargeable advice service. This has enabled us to offer an initial level of free pre-application advice, whatever the size and scale of the development, and an enhanced chargeable service, which includes advice on protected sites, and establishing 'organisational licences'. For example, in Suffolk we have continued to develop our positive relationship with EDF through our discretionary chargeable advice and a project team approach to the Sizewell Nuclear New Build. We are providing expert advice on impacts and securing enhancements to a suite of wetland and heathland protected sites and landscapes on the Suffolk coast. We have actively switched more of our engagement to a chargeable basis here, enabling us to offer an unparalleled and very well received service to EDF as well as generating income. Though we may have provided advice, once applications are received, these are reviewed with objectivity.

## Partnership working

We are embedding the natural environment into growth proposals by working in an integrated way with other parts of the Defra group, such as the Environment Agency and the Forestry Commission, as well as with Local Enterprise Partnerships (LEPs), Local Authorities and Local Nature Partnerships. For example, we have developed a ground-breaking toolkit which shows local economic planners how the natural environment can enhance economic growth and help avoid future costs to growth from the environment. The toolkit offers an easy to use way of systematically considering the relationship between the economy and the environment to reveal both opportunities and threats when developing strategic economic plans. It has now been used by over a third of LEPs to help shape the economic strategies for their areas.

## Performance

Natural England is committed to improving continually its performance through setting and agreeing challenging targets which are aligned to our Strategic Direction and Defra objectives. Our commitment expressed in the 2015/16 Corporate Plan highlighted the 25 Key Performance Indicators (KPIs) that we would report on, both to our Board and Defra, on a monthly basis.

We also report high level progress through Defra's Board and in regular performance review meetings with the Secretary of State. The indicators span each of our ten Business Areas and the subsequent extracts record our delivery against the 2015/16 targets.

We use tight tolerances for measuring our performance against all of our indicators, which are reflected as follows:

Summary KPI Performance		
RAG Status	% of expected performance	No of targets
Green	100 per cent or more	16
Amber Green	99.99-90.01	7
Amber Red	90.00 and 80.01	1
Red	80.00 or less	1
<b>Total</b>		<b>25</b>

# Performance Analysis

KPI	Performance
<b>Maintain and improve the condition of terrestrial protected sites:</b> <b>39 per cent of SSSI sites in favourable condition (15,000 hectares);</b> <b>95 per cent area of SSSIs in favourable and unfavourable recovering condition:</b>	<b>Amber Green</b>
<p>This year, we assessed 12,017 hectares of formerly unfavourable SSSI land as reaching favourable condition to take us up to 38.5 per cent overall. This welcome increase is the first since March 2013 and is a key success of our new local Area Team approach. Effective partnership working with the Ministry of Defence, the Forestry Commission and Anglian Water was also a key factor alongside the use of Environmental Stewardship agreements. The largest gains were on Salisbury Plain, Rutland Water, North Exmoor, Kielder Mires and the Black Mountains SSSIs.</p> <p>We ended 2015/16 with 95.7 per cent of SSSI land in favourable or unfavourable recovering condition.</p>	
<b>Maintain 577,179 hectares of priority habitats through Agri-Environment and Green Infrastructure:</b>	<b>Green</b>
<p>We have maintained our planned baseline of 577,179 hectares of priority habitat as new Countryside Stewardship Higher Tier agreements secured sufficient hectares within renewed or replaced Higher Level Stewardship agreements. Our performance was augmented by the restoration and creation of 2,093 hectares of priority habitat through green infrastructure delivery.</p>	
<b>Conserve threatened priority species and manage invasive non-native species:</b> <b>Species Recovery Programme budget allocated to urgent or high priority actions;</b> <b>Action for Invasive Non-Native Species:</b>	<b>Green</b>
<p>This year, we utilised 100 per cent of Species Recovery Programme budget to support urgent and high priority actions and led a programme of activities relating to invasive non-native species. We also successfully established long term agreements with a number of significant partners including the Duchy of Lancaster, Bumblebee Conservation, Game &amp; Wildlife Conservation Trust, and Farm Care) to deliver the Pollinators Strategy. We secured funds to develop a full Heritage Lottery Fund bid for work to conserve over 200 priority species in England.</p>	
<b>Deliver Catchment Sensitive Farming to agreed milestones and standards:</b> <b>4,000 targeted farmers engaged in farm advice:</b>	<b>Green</b>
<p>Through our Catchment Sensitive Farming (CSF) project, we engaged with our planned 4,000 farmers this year to help raise their awareness of diffuse pollution and support them to take action through advice and incentives through the new Countryside Stewardship (CS) Scheme. The move to CS enabled a full, oversubscribed, programme of water grants early in the year followed by additional land management agreements and water capital in the summer. Overall CSF helped over 2,000 CS applicants.</p>	
<b>Deliver advice to Defra on the network of Marine Protected Areas (MPAs):</b> <b>21 Marine Conservation Zones (Tranche 2) / Special Protection Areas / Special Areas of Conservation / plus progress Marine Conservation Zones (Tranche 3):</b>	<b>Green</b>
<p>Marine Conservation Zones (MCZs): Tranche 2 sites were designated in January. We have been working closely with Defra in preparation for Tranche 3 and we have now received Ministerial approval to proceed with work on Tranche 3.</p>	
<p>Special Protection Areas (SPAs): Formal consultation on six potential marine SPAs and three associated, terrestrial SPAs ended in mid-April.</p>	
<p>Special Areas of Conservation (SACs): We delivered our recommendations on sites in September. Consultation with stakeholders for the SACs is ongoing and we are working towards Ministerial approval in July 2016.</p>	

<b>Deliver a programme of 35-50 conservation advice packages and fisheries management advice for Marine Protected Areas habitats and species to support the Inshore Fisheries and Conservation Agencies and the Marine Management Organisation:</b>	<b>Green</b>
<p><b>Conservation Advice:</b> We have delivered 39 packages onto GOV.UK and the Designated Sites System (DSS) with the final 19 packages going live on DSS in mid-May. We are responding to national stakeholder feedback provided for December, January and February packages published on GOV.UK.</p> <p><b>Fisheries Advice:</b> We continue to deal to standard and time with Inshore Fisheries Conservation Agencies (IFCAs) and Marine Management Organisation (MMO) assessments workloads, alongside our fisheries advice on Nationally Significant Infrastructure Projects casework. Over the year we have provided significant input and formal advice to the IFCAs and MMO on over 6,500 cases.</p>	
<b>Deliver a programme of marine monitoring surveys and develop and test a new condition assessment method:</b>	<b>Green</b>
<p>We completed our 2015/16 condition monitoring survey programme. We also completed our agreed planned work to develop and test a new condition assessment method. The process was accepted as sound in principle and fit for the purpose of conducting a trial assessment which took place in the Plymouth Sound and Estuaries Special Area of Conservation in March 2016.</p>	
<b>Develop a National Character Area (NCA) based programme of landscape monitoring:</b>	<b>Green</b>
<b>Develop a suite of updated indicators of landscape change;</b>	
<b>Pilot methods and indicators in 6 representative NCAs</b>	
<p>Our work this year has contributed to driving the overall landscape monitoring strategy with the National Character Areas (NCAs) surveillance indicators now in place. We continue to develop the suite of six local monitoring pilot projects with partners which include testing of NCA indicators.</p>	
<b>Deliver the accelerated programme for the creation of the England Coastal Path by 2020:</b>	<b>Green</b>
<b>1,009 kilometres (cumulative total) submitted to the Secretary of State for approval</b>	
<p>We have submitted 673 kilometres (cumulative total) of England Coast Path to the Secretary of State for approval and publication as at 31st March 2016. The remaining 336 kilometres of the cumulative 2015/16 target are in the final stages of preparation ahead of submission and following temporary hold ups over the winter period (e.g. prolonged storm events in Cumbria). The long term target to complete the ECP by 2020 remains on track. Overall we are working on 35 stretches of coast totalling 2,500 kilometres at various stages in our rolling programme.</p>	
<b>Existing Higher Level Stewardship agreements continue to deliver multiple environmental outcomes: 100 per cent of priority agreements visited to appropriate standards:</b>	<b>Amber Green</b>
<b>2,800 priority annual visits and 5,600 priority annual telephone contacts.</b>	
<p>We made 3,445 priority face to face visits to agreement holders at 15 hours per visit this year and completed 5,000 calls to priority agreement holders at an average of four hours per call.</p>	
<b>Environmental Stewardship agreements are administered within service standards:</b>	<b>Green</b>
<b>96.15 per cent of payments made within target</b>	
<p>At year-end, we had processed 88.56 per cent of our 41,000 agreement holders' end of year payments and we are on track to meet the published deadline for payments of the end of June 2016. We had previously processed 96.4 per cent of all partial payments by December 2015 to meet this target.</p>	

<b>Support the development and successful launch of Countryside Stewardship in 2015:</b>	<b>Amber Green</b>
<p>All Mid-Tier and Woodland only agreement offers from 2015 applications were made by the end of March 2016, with a small number of complex Higher-Tier cases completed in April 2016, in line with the contingency approach we agreed with Defra. We also met the challenging deadline to issue Countryside Stewardship annual claim forms in April 2016. We have delivered the main products of the 2016 improvements package with positive stakeholder feedback, including revised customer guidance, option improvements for upland and organic customers, and the launch of a new online options tool to support customers in identifying priority options on their holding.</p>	
<b>Secure continued support for priority outcomes in those expiring Higher Level Stewardship (HLS) agreements pipelined for Higher tier of Countryside Stewardship from 1st January 2016:</b> <b>85 per cent of priority outcomes in pipelined 2016 HLS expiries</b>	<b>Green</b>
<p>We have delivered our targets for the priority habitat and SSSI hectares being supported by Higher Level Stewardship (HLS) expiring agreements transferring into the new Countryside Stewardship (CS) Scheme.</p>	
<b>50.81 per cent of Natural England's National Nature Reserve managed land is in favourable condition:</b>	<b>Amber Green</b>
<p>At the end of March 2016, 50.04 per cent of Natural England managed NNR land is in favourable condition. In addition, 0.63 per cent of our managed NNR land is ready for confirmation once an invertebrate survey is completed in the summer of 2016.</p>	
<b>Complete our 4 year programme to propose 8 batches of National Nature Reserves (NNRs) for dedication (cumulative) and, wherever practicable, to improve higher rights on those sites:</b>	<b>Green</b>
<p>This year we completed our four year programme to consider all of our NNRs for open access dedication. Each site submission also considered whether dedication as a Coastal Margin was relevant, in recognition of the special CROW provisions for the coast. Access rights have so far come into force on 55 of our 75 NNRs, totalling 13,789 hectares with a further 9 NNRs amounting to an additional 894Ha now approved. All of the 64 dedicated NNRs will have commenced access rights by late autumn 2016. Batches seven and eight were combined. This will also increase the 'higher rights' access of our national programme to 24 kilometres. The final Project Report will be available from September 2016.</p>	
<b>95 per cent of all casework consultations responded to within agreed deadlines:</b>	<b>Amber Green</b>
<p>This year, we responded to 87.68 per cent of our 43,287 consultations within agreed deadlines. This is a two per cent improvement on our 2014/15 performance despite a nine per cent increase in the number of consultations we received.</p>	
<p>Across our four main areas of work this equates to delivering to deadline as follows:</p>	
<p>Terrestrial Planning: 96.70 per cent of our 23,856 consultations;</p>	
<p>SSSI Consents: 87.62 per cent of our 3,686 consultations;</p>	
<p>Marine Planning: 96.70 per cent of our 1,177 consultations;</p>	
<p>Wildlife Licensing: 72.25 per cent of our 14,618 consultations.</p>	

<b>Reduce the administrative costs (over 3 years) on those we regulate including 5 per cent savings to businesses:</b>	<b>Green</b>
<p>During 2015/16, we saved our customers £1.6 million. We achieved this through reduced licensing administration costs using our Annexed Licensing approach for bats, Great Crested Newts and dormice ; reduced requirement for Reasoned Statements (£1.2m) and the Bat Low Impact Class Licence (£400,000). We are in the third year of our savings programme and to date we have saved our customers £2.3 million in licensing administration costs which is a reduction of nearly 42 per cent against our baseline.</p>	
<b>Increase in the number of class and general licences available by 10 per cent (6 Licences):</b>	<b>Green</b>
<p>In 2015/16, we introduced three new organisational licences and three new class licences to meet this target. These include two Environment Agency licences and one for Network Rail. These licences facilitate development works and works to water bodies, flood defences and drainage systems where Great Crested Newts, badgers, water voles and white clawed crayfish are involved.</p>	
<b>Continue to deliver significant improvements in availability of, and access to, evidence:</b>  <b>100 evidence publications and 2,000 MAGIC user sessions per day</b>  <b>Increased partnership &amp; stakeholder participation evidenced through joint working</b>  <b>Review and implement improvement plan for transparency of evidence used by Area Teams and develop and share at least one best practice case study from each area</b>	<b>Green</b>
<p>In 2015/16 we published 157 evidence reports and 1,030 datasets on DATA.GOV.UK exceeding our Open Data target of 1,000 to be published by June 2016;</p>	
<p>We averaged 2,430 MAGIC users per day this year. 84 per cent of users were 'satisfied' or 'very satisfied' with our website in our Quarter Four mini survey. 43 per cent of users said their usage of MAGIC has increased in the last year and satisfaction about the map search function (changed following customer feedback) has increased from 63 per cent to 81 per cent;</p>	
<p>We are contributing to a renewed focus on joint working with our partners and stakeholders and a more cohesive Uplands Forum. We have seen an increase in discretionary advice and the industry has welcomed our low Impact Class Licence approach. We are working with the Development Industry Group to explore how we should best work with Local Planning Authorities to unlock housing development;</p>	
<p>This year, three of our Area Teams have completed transparency of evidence case studies with another four having reached the advanced draft stage. In 2016/17, the Better Evidence pilots (now established in three areas) will illustrate need, use and access to evidence.</p>	
<b>Continue to build and apply the evidence base we have to support delivery:</b>  <b>Deliver Defra/NE agri-environment evidence programme to time and on £1.4million budget</b>  <b>19 SSSI series reviews completed by the end of the year</b>  <b>Effective deployment and development of specialist services to support strategic and operational advice and science delivery</b>	<b>Green</b>
<p>We delivered £896k of the Defra/Natural England 2015/16 agri-environment Evidence Programme. This programme was funded by RDPE Technical Assistance Funding.</p>	
<p>The SSSI Series Review Project delivered 20 reviews. We produced a final summary report to synthesise the key findings across the reviews;</p>	
<p>We have deployed and developed our specialist services to Implement annual and in-year commissioning processes for specialist advice.</p>	

<b>We deliver our financial outturn to agreed forecast:</b>	<b>Green</b>
Our year-end outturn was a £0.3 million / 0.25 per cent under-spend against our full year forecast of £113.7 million (including depreciation and capital). Our confirmed Rural Development Programme England outturn was £406.7 million (100.04 per cent of forecast), a variance of £0.2 million.	
<b>We deliver excellent customer service: 90 per cent of our customers are satisfied with our service:</b>	<b>Amber Green</b>
In 2015/16, we achieved an 89 per cent overall customer satisfaction, recorded on points of service feedback postcards from our customers covering Wildlife Licensing, Land Use & Marine. This year, we received 119 complaints compared with 194 in 2014/15, a drop of 39 per cent. Our overall assessment of performance reflects the spectrum of our customers' concerns relating to Countryside Stewardship, wildlife licensing and other issues.	
<b>We deliver high levels of staff morale:</b>	<b>Red</b>
We ran our annual staff survey in March 2016 and 42 per cent of staff agreed that they had high morale, up 1 per cent on our annual staff survey 12 months ago. We recognise that there is still work to do here as we are still not reaching the target we set ourselves. We continue to review how we can improve staff morale by considering the factors raised by our staff and putting plans in place to address those which are in our direct control.	
<b>We deliver a healthy workplace for our staff: We have more Near Hits than Accidents that cause harm i.e. for every Accident that cause harm (injury; ill-health; or damage to equipment), there are 2 Near Hits.</b>	<b>Amber Red</b>
In 2015/16 we cumulatively recorded 177 Near Hits and 176 Accidents. Whilst we did not meet the 2:1 ratio, our teams have significantly improved their knowledge, understanding and culture around incident reporting and our performance represents a 54 per cent increase in Near Hits reporting together with a 23 per cent decrease in Accidents reporting both compared with 2014/15.	
<b>We increase the level of income generated through chargeable services by £1.5 million:</b>	<b>Amber Green</b>
We generated £1.5 million of commercial income this year. In addition, our income from the National Nature Reserve estate (which is not included in the KPI target) was £0.8 million, taking our overall commercial income to £2.3 million. The majority of our growth has come from increased uptake of our Discretionary Advice Service in support of sustainable development work where we doubled our performance compared with 2014/15. We also earned £130,000 from Catchment Sensitive Farming partnership agreements, as a new initiative for 2015/16.	



# Detailed Performance Analysis

## Financial commentary

This Annual Report and Accounts covers the activity and performance of Natural England for the 12 months 1 April 2015 – 31 March 2016. Predominantly funded by Defra grant-in-aid, our funding agreement operates within the context of the Comprehensive Spending Reviews (CSR) which HM Treasury agrees with each Government Department. 2015/16 was the second financial year of the CSR 2013 settlement which covers the spending plans for the period 2014/15 to 2015/16.

Natural England's original 2015/16 Grant in Aid (GiA) settlement was £117.6m. This excluded £39.3m in relation to Defra Corporate Service costs, the responsibility for which has been transferred to Defra (see note 4). Several in year adjustments were made including additional funding for: the English Coastal Path; Bovine TB; and for increased pension costs as well as reductions as a result of the June 2015 budget statement, resulting in a total GiA receipt for 2015/16 of £114.7. This compares to a total receipt of GiA for 2014/15 of £179.6m, which included funding for Corporate Service costs as well as a contribution towards restorative works at Bolton Fell Moss.

Spending controls which were implemented by Cabinet Office in May 2010 and updated in February 2014 have continued to be applied throughout the year with strict controls on recruitment, use of temporary staff, use of consultants, IT projects, advertising and marketing and property. In accordance with HM Treasury's Financial Reporting Manual (FRM), the GiA is recognised in the General Fund.

## Financial performance summary

In 2015/16 Natural England's total GiA was £114.7m (2014/15 £179.6m) which made up 88% of total receipts. A breakdown of the remainder of income is shown in Notes 5 & 6 of the accounts. Outcomes for the natural environment are delivered both directly through GiA and other income it receives, and also through partnerships with other organisations which fund work for the natural environment.

Natural England is also responsible for delivering part of the Rural Development Programme England (RDPE). £407m in 2015/16, (£427m 2014/15), was paid to landowners and farmers for the environmental benefits delivered. This spend is accounted for by Defra, but Natural England incurs the administrative cost of delivery. The programme has been delivered very successfully by Natural England, with us both delivering the desired business outputs within forecast, and contributing to finance planning for the remainder of the 2014-2020 programme period.

## Statement of Financial Position

Natural England has had significant movement in the Statement of Financial position since 31 March 2015 due to the quinquennial review of our non-current assets (see note 1.1.1). The net effect to the non-current assets balance of the revaluation was a credit of £27.4m, (£2.2m reduction in Land and Buildings and a £25.2m reduction in Heritage Assets. The reduction in Heritage Assets was largely due to the indexation of these assets since the last valuation in 2010/11. There was a corresponding entry to the revaluation reserve. Natural England has invested £767k during 2015/16 (2014/15 £5.2m) in additional assets to contribute to the delivery of its business objectives.

Overall, there has been a reduction of £23.7m in our statement of financial position balance.

## Social Community Statement

Natural England seeks actively to engage diverse communities in the natural environment. We do this through our volunteer network and other access and engagement forums. We benefit greatly from the enrichment and learning that their involvement brings. Our aim is to promote personal wellbeing, social cohesion and inclusion and to create equal opportunities for people in existing and future communities. The opening of our NNRs to the public provides good opportunities for this. We are also working to increase Coastal Access, currently working on 35 stretches of coast totalling 2,300 kilometres at various stages in our rolling programme.

A detailed breakdown of Natural England's main categories of staff costs and other expenditure can be seen in the notes on page 56.

# Sustainability and Environmental Report 2015/16

## 1. Background

As part of its Sustainable Development Strategy, the Government encourages public bodies to disclose their sustainability and environmental performance as an annex to their Annual Report and Accounts. The environmental data and associated financial costs presented in the following pages are consistent with the requirements of HM Treasury's Public Sector Annual Reports: Sustainability Reporting Guidance 2015/16.

The information contained within this report has not been subject to audit and does not form part of the auditors' opinion of the Accounts. However, the data contained within the report has been checked and verified internally for accuracy. The carbon foot-printing calculations have been made in line with Natural England's carbon standard and current approved greenhouse calculation methodologies.

## 2. Introduction

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

Natural England is required to report on the Greening Government Commitments (GGC). These consist of a range of targets around our environmental performance of the estate, including those stated in this report. Our performance during 2015/16 has been excellent, with us meeting, or exceeding, each of our GGC targets. In addition to the reputational importance of meeting the GGC targets, energy and water unit costs are increasing by approximately 6% per year, becoming an increasingly material element of our running costs.

## 3. Summary of Performance

Our performance summary for 2015/16:

Area	Actual Performance	RAG	Target Performance (where applicable)
Carbon dioxide emissions <sup>1,2</sup>	2498	GREEN	2703.9
Total waste <sup>3</sup>	46 tonnes	GREEN	73.73 tonnes
Water consumption <sup>3</sup>	3,770 m <sup>3</sup>	GREEN	A reduction from our baseline (9,302 m <sup>3</sup> )
Carbon Reduction Commitment (CRC) related expenditure <sup>5</sup>	£14,626		
Total energy consumption <sup>1</sup>	2,039,254 kWh		
Buildings energy consumption <sup>1</sup>	2,039,254 kWh		
Total energy expenditure	£381k		
Residual office waste <sup>3</sup>	5 tonnes		
Total waste expenditure <sup>4</sup>	Not applicable		
Water Expenditure <sup>3</sup>	£43k		

We continue to ensure that the culture and behaviours we have adopted around carbon reduction and sustainable ways of working remain embedded in our daily work.

We continue to to firmly embed travel minimisation and low carbon travel choices as “business as usual” ways of working. Achievement of the GGC target is evidenced to working within the overall travel financial allocation across the Organisation, which become ever tighter year on year. Teams are responsible for managing their travel within the budget allocations, and in doing so, this ensures that the carbon is managed.

Our ambitious programme of office consolidation which contributed significantly to our 50 per cent carbon savings has now concluded and our focus around the estate is to minimise the environmental impact of our offices. We are working closely with other parts of the Defra group and our landlords across the majority of the estate to achieve these targets.

## Greenhouse Gas Emissions

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

Greenhouse Gas Emissions (tCO <sub>2</sub> )		2015/16	2014/15	2013/14
Non-Financial Indicators (tCO <sub>2</sub> e)	Total Gross Emissions for Scopes 1 & 2 <sup>1,2</sup> (procured electricity, gas and fleet vehicles incl pool cars)	1,105	1,147	1,213
	Total Net Emissions for Scopes 1 & 2 <sup>1,2</sup> (procured electricity, gas and fleet vehicles incl pool cars)	1,105	1,147	1,213
	Gross emissions attributable to Scope 3 official business travel <sup>2</sup>	1,393	1,393	1,442
Related Energy Consumption (KWh)	Electricity; Non Renewable <sup>1</sup>	-	59,776	186,951
	Electricity: Renewable <sup>1</sup>	977,923	1,000,139	746,470
	Electricity: CHP <sup>1</sup>	5,237	1,594	16,694
	Electricity: Total	983,160	1,061,509	950,115
	Gas <sup>1</sup>	1,056,094	1,027,365	1,174,121
	LPG	-	-	-
Financial Indicators (£k)	Expenditure on Energy	£381k	£364k	£324k
	CRC Licence Expenditure	£14,626	£9,158	£8,152
	CRC Income from Recycling payments	-	-	-
	Expenditure on accredited offsets	-	-	-
	Expenditure on official business travel	£2.97m	£3.04m	£3.24m

### Performance Commentary (including targets)

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

### Controllable Impacts Commentary

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

### Overview of Influenced Impacts

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

## Waste

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

Waste		2015/16	2014/15	2013/14	
Non-Financial Indicators (tonnes)	Total waste arising	46	50	40.7	
	Hazardous waste	-	-	-	
	Non hazardous	Landfill	5	6	10.1
		Reused/ Recycled	33	38	30.5
		Waste composted	-	-	-
		Incinerated with energy recovery	8	6	0.1
Incinerated without energy recovery	-	-	0.1		

### Performance Commentary (including targets)

Defra supplies data on a quarterly basis. This is the third year we have been able to disaggregate composted waste from recycled/reused waste and report incinerated waste with and without energy recovery. All figures are in tonnes and cover 14 offices. Where data is available for multi-occupancy sites, figures are calculated on % occupancy basis. Information is not available where landlords are responsible for waste and recycling activities. We have exceeded our GGC target to reduce our waste from 98.3 to 73.7 tonnes.

### Controllable Impacts Commentary

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

## Finite Resource Consumption - Water

Natural England has achieved the GGC target to reduce water consumption against the 2009/10 baseline of 8,050m<sup>3</sup>.

Finite Resource consumption – Water m <sup>3</sup>			2015/16	2014/15	2013/14
Non-Financial Indicators	Water consumption (m <sup>3</sup> )	Supplied	3,770	3,550	3,768
		Abstracted	-	-	-
Financial Indicators (£k)	Water supply costs		£43k	£62k	£68k

### Performance Commentary (including targets)

This is the fourth year we have been monitoring our water consumption across our estate on an occupancy basis, against a Greening Government Commitment baseline of 8050.49m<sup>3</sup> for 2009/10. By 2015/16 we have reduced our consumption by over 52%.

### Controllable Impacts Commentary

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

### Overview of Influenced Impacts

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

We will support fully the following Defra-wide sustainability initiatives which include:

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

## Finite Resource Consumption - Energy

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

Finite Resource consumption – Energy (kwh)			2015/16	2014/15	2013/14
Non-Financial Indicators	Energy consumption	Electricity: Non-Renewable	-	59,776	186,951
		Electricity: Renewable	977,923	1,000,139	746,470
		Electricity: CHP	5,237	1,594	16,694
		Electricity: Total	983,160	1,061,509	950,115
		Gas	1,056,094	1,027,365	1,174,121
Financial Indicators (£k)	Total Energy Expenditure		£381k	£364k	£324k

### Performance Commentary (including targets)

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

### Controllable Impacts Commentary

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

### Overview of Influenced Impacts

We will fully support Defra-wide initiatives planned which include:

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

## 4. Biodiversity

Natural England performs an independent, technical function with duties to advise government and others, including local communities, about biodiversity. Critical to this is our ability to translate a wide range of scientific and technical information into practical advice others can use. We are nominated on behalf of government, as their lead body for the implementation of Biodiversity 2020, for which a key piece of work completed this year has been development of a comprehensive Delivery Review of the Biodiversity 2020 Strategy. The review provides a detailed analysis of the current situation against the outcomes in the strategy, the actions required to achieve the outcomes and the delivery trajectory to 2020.

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

## 5. Sustainable Procurement

We introduced a procurement policy in 2007 and this is published on our website together with our policy on food and details of UK Government Timber Procurement Policy. Our procurement procedures have been developed to ensure sustainability is integrated throughout the procurement process. A sustainable risk assessment is applied to all projects over £5k. For contracts over £40k we develop a procurement strategy which includes questions regarding supplier sourcing and specification development. Sustainability Risks analysis includes identification of risks against environmental and socio-economic issues and includes alignment to Greening Government targets. The sustainable procurement process is fully integrated into the Invitation to Tender (ITT), specification guidance and evaluation model (where appropriate). There is a default standard paragraph in the ITT as a minimum requirement.

On 1 October 2014 Natural England's Procurement Team transferred to Defra, joining a newly formed team, delivering a single service to customers and bringing together best practice from across the Defra group. It is developing common policies, processes and systems and this will lead to a refreshed, common approach to sustainable procurement.

## Notes

1 Office estate building energy consumption/emission data from January 2015 to December 2015 (the latest full year of Greening Government Commitment data provided by Defra at the time of writing). ). The NNR estate is not included in the above performance report.

2 Travel data for April 2014 to March 2015, based on our 14/15 travel carbon reporting tool.

3 Waste and water data from January 2015 to December 2015 (the latest full year of Greening Government Commitment data provided by Defra at the time of writing).

4 Waste management on the Natural England estate is undertaken through our landlords and their contractors. It is not possible to disaggregate the expenditure on waste management from that provided for other tenants in our shared offices.

5 Defra is responsible for reporting and paying for the consolidated CRC return and these recharges are approximations based on the apportionment of floor space occupied.



**James Cross**  
Chief Executive  
4 July 2016



# 1. Accountability Report

## Corporate Governance Report

### Directors' Report

#### Chief Executive and Chairman

I assumed the post of Natural England's Chief Executive on 1 September 2014. Andrew Sells was Chairman for the period shown in this Annual Report and Accounts.

#### Board Members

There are ten Non Executive Board Members, including the Chairman, and full details can be found in the Remuneration and Staff report. Any significant interests held by board members which may conflict with their stewardship responsibilities are recorded and managed appropriately. Related party disclosures can be seen in Note 20 to the accounts.

#### Research and development

Natural England has spent £3.33m on science and monitoring evidence in 2015/16.

In addition to this Natural England has provided £969k to support species recovery projects, co-ordinated the delivery of £896k worth of Environmental Stewardship monitoring activities covered by RDPE technical assistance funding, and provided staff time and expenses costs to carry out in-house monitoring.

The main areas of spend in 2015/16 have been: marine; terrestrial biodiversity and land management evidence; local record centres, our long-term monitoring network and the project to Monitor Engagement with the Natural Environment. Other areas of spend include land use, access and engagement, making evidence more accessible, data management, mapping natural capital, climate change, great crested newts, PhDs and producing Geographical Information data.

Funds have been targeted at those areas that are essential to deliver the organisation's strategic outcomes. Most (85%) of this spend has been on monitoring Natural England's sites and interventions and surveillance of the state of our natural environment, but research (9%) has also been funded to tackle specific priority evidence needs.

#### Payment of trade and other payables

Government has a commitment to pay suppliers within 10 days and we aim to meet this target wherever possible. Between April 2015 and March 2016, 98.2% (98.8% 2014/15) of Natural England's payments to suppliers were made within five working days. Natural England is also subject to the Late Payment of Commercial Debts (Interest) Act 1998, which gives small firms with 50 or less employees a statutory right to interest for the late payment of commercial debts. Natural England incurred no late payment interest during 2015/16.

## Personal Data Related Incidents

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

Natural England has established governance structures to ensure that information assets are handled appropriately. These include identifying risk owners; undertaking annual risk assessments and providing training to key staff. Information data handling courses are embedded into induction processes and the staff development framework. This year, all staff have been invited to attend a training course providing information on how to handle data appropriately. There were no incidents reported to the Information Commissioner's Office.

The reported incidents below comprise mainly of lost mobile phones and Blackberrys (II). Three laptops have been lost but one successfully retrieved. We have had no unauthorized disclosures of information this year. The electronic equipment lost within secure premises comprised two monitors, and no information loss was attached. Follow up action has been taken on all of these incidents.

The four reported unauthorised disclosures related to minor incidents where no malicious activity has been reported since the loss (two emails to wrong recipients, one document misplaced from NE office printer and a physical paper relating to list of attendees at a meeting was lost).

Category	Nature of Incident	Total
1	Loss of inadequately protected electronic equipment, devices or paper document from secured Government premises.	-
2	Loss of inadequately protected electronic equipment, devices or paper document from outside secured Government premises.	16
3	Insecure disposal of inadequately protected electronic equipment, devices or paper documents.	-
4	Unauthorised disclosure	4
5	Other	-

## Statement of Accounting Officer's responsibilities

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

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

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

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

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

### Disclosure of audit information to auditors

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

Furthermore, I confirm that the annual report and accounts as a whole is balanced and understandable. I take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.



**James Cross**  
Accounting Officer and Chief Executive  
4 July 2016

# Governance Statement

This Statement evaluates for the financial year 2015/16 the effectiveness of Natural England's governance arrangements, risk management, and the system of internal control and stewardship of resources. Natural England has continued to maintain sound governance and internal controls over the last twelve months. Overall, the governance structures and processes, risk management and internal controls within the organisation were effective, as confirmed by assurance and audit findings included in this Governance Statement.

## 1. Governance Framework

### 1.1 Board Governance

As a non-departmental public body (NDPB) within the Defra group, we are led by a non-executive board appointed by the Secretary of State for Environmental, Food and Rural Affairs. The Board has collective responsibility for the overall performance and success of Natural England and is also responsible for setting strategic direction to contribute fully to the departmental strategy set by Defra Ministers. It ensures Natural England carries out its statutory duties; delivers its priorities as agreed with the Secretary of State; is properly and effectively managed and provides stewardship for the public funds entrusted to it. The Board comprises the Chairman and nine other non-executive members appointed on an individual basis and not as representatives of any organisations.

The Board governance arrangements are detailed in the Management Statement and are supported by the Financial Memorandum, which sets out the financial framework within which Natural England is required to operate. The Board has met on ten occasions in 2015/16, with three of these being formal Board meetings, part of which were held in public. Board meetings can also include outdoor site visits. Standard agenda items at Board meetings include the Chief Executive's Report (covering delivery of the Corporate Plan, financial position, compliance, Rural Development Programme for England, Health and Safety and Staff Wellbeing along with other strategic issues) and reports received from its committees.

Our Board receives a high volume of briefing papers, which support its work, and the process of assuring quality Board papers has evolved in response to Board member feedback. Board attendance has been excellent for the year, with six members attending all of the ten Meetings, two attending all but one of the Meetings and two attending all but two of the Meetings.

In order that the organisation benefits from the range of skills offered by Board Members, task and finish groups led by Board members but including senior officers have continued to meet on a regular basis. During the year these included an Uplands Working Group, the Board Innovation Group and a Conservation Strategy Board sub group.

### 1.2 Board Committees

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

#### 1.2.1 Audit and Risk Assurance Committee (ARAC)

The ARAC, which meets on a quarterly basis, provides challenge, scrutiny, monitoring and advice, to assist the Board in its corporate governance responsibilities and to ensure there is an

appropriate control environment. The Chairman of the ARAC participates in meetings with other Chairs of Audit Committees from across the Defra group where a range of risk-related topics are discussed to ensure that Defra and NE have sight of any mutual issues. With effect from 1 April 2016 the ARAC Chair was appointed as ex officio member of Defra's Audit and Risk Committee. In addition there are also meetings held between the ARAC Chair and the Head of Internal Audit, and separately with the Director of Finance and Performance.

Major areas of work considered during the financial year included:

- The Annual Report and Accounts for 2014/15.
- A regular review of NE's Risk Management approach.
- Consideration of further improvements to the assurance and governance framework and the Corporate Assurance Map.
- A review of the results of the annual Corporate Governance and Assurance questionnaire.

#### 1.2.2 Natural England Science Advisory Committee (NESAC)

The NESAC, which meets at least five times a year, is an advisory group to our Board and has an important role in providing advice, and to challenge and review our science and evidence. It also provides a link between the Board, our staff and the wider research community ensuring that Natural England is kept aware of current and emerging relevant issues in the natural and social sciences.

Major areas of work considered during the financial year included provision of advice on the following:

- Natural England's Science and Evidence Programme.
- Natural England's climate change work.
- Challenge over the development of an updated Conservation Strategy.

#### 1.2.3 Remuneration Committee

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

The Remuneration Committee's main objective is to consider matters relating to the pay or remuneration of myself, as Chief Executive, the Chief Officers and our employees. It meets a minimum of twice a year.

### 1.3 Executive Governance

My appointment is the responsibility of the Chair, and I am responsible for appointing the Chief Officers. I have been employed as Natural England's Chief Executive and Accounting Officer since 1 September 2014.

The Senior Leadership Team (formerly known as the Executive Board) assists me in carrying out my responsibilities as delegated to me by the Board. It makes decisions on the day-to-day running of the organisation and organisational planning. It provides leadership to the organisation in setting plans, reviewing performance and ensuring resources are allocated accordingly. I and Chief Officers meet weekly and are supported at meetings by the Director of Executive Office. Senior Leadership Team meetings cover health and safety and wellbeing, strategy, operations and risks &

issues – giving the Senior Leadership Team the opportunity to advise on current issues that the organisation is facing. The wider Leadership team, including Directors and Area Manager, meet regularly

#### 1.4 Internal Audit

Natural England's internal audit service and the role of Head of Internal Audit (HIA) have been undertaken by KPMG. The HIA provides an annual opinion, based on a range of reviews, of Natural England's systems of internal control, with reference to governance, control and risk management. For 2015/16, the HIA assessed the overall control environment as having a 'moderate' level of assurance that Natural England is operating effectively.

#### 2 Board and Executive Performance

The Board assesses its own performance annually against the governance framework through a self-assessment questionnaire developed with the NAO and based on six core principles of good governance. The Board effectiveness exercise conducted in September 2015 concluded that the Board was effective in its operation. The performance objectives for the Chief Executive Officer are agreed with the Board. Progress towards these is assessed in regular performance reviews with the Chairman. The Chief Executive sets the performance objectives of his Chief Officers, progress against which are evaluated in regular performance reviews between the Chief Executive Officer and Chief Officers.

The ARAC conducted an assessment of its own effectiveness, reviewing the five main principles of good practice in a workshop facilitated by the NAO in March 2015 and then again in March 2016. The conclusion of the members of the ARAC, as endorsed by the NAO, was that these principles were being met effectively.

NESAC works closely with specific working groups and staff, as well as developing a role supporting Natural England's Chair and Chief Executive in an external facing capacity.

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

Our Strategic Direction outlines our vision for how Natural England will help to bring about a natural environment which is healthy, properly functioning and resilient as well as being recognised as the foundation for sustainable economic growth, prospering communities and personal wellbeing. Natural England, on behalf of Government, will continue to protect landscapes, biodiversity and geodiversity, delivering our statutory remit as established by Parliament. We are actively supporting the Government's growth agenda through better regulation, reform and our outcomes approach, working with the Environment Agency and other bodies in the Defra group. Additionally, we continue to work with the Environment Agency towards aligning our regional boundaries to allow for joined up working.

Partnership working will continue to be a key part of the way we work. Our local delivery model, allows more decisions to be taken at a local level, whilst strengthening our relationships with local partners and communities. Support from business and industry will continue to be important and we have taken every opportunity to improve the way we work with businesses– in particular by

simplifying our regulatory processes, adhering to the Regulators' Compliance Code, and offering support to developers to help them comply with environmental legislation. Natural England complies with the good practice requirements of the Corporate Governance Code, which apply to NDPBs.

### 3 Internal Control

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

A Corporate Assurance Map (CAM) is used to track and monitor the various assurances received by ourselves, both internally and externally in relation to the three lines of defence. The CAM acts as an aid to understanding how the organisation obtains assurance over its key risks and compliance requirements. A fundamental element of our CAM is the annual internal Corporate Governance Assurance questionnaire which is completed by all teams within Natural England. Teams are required to make an evidence-based assessment of the adequacy of the control framework that has been in place throughout the period, highlighting any areas of weakness and identifying improvement action plans. The results from these statements form part of the review of compliance by the ARAC and myself as Accounting Officer.

The overall results of 2015/16 Corporate Governance Assurance Questionnaire process indicate that the control framework is strong, 96% of responses indicate a substantial or moderate opinion as to the effectiveness of various controls.. Although this gives us a high level of assurance on the control environment we are focusing on improving awareness of our Whistleblowing Policy and the content and frequency of compliance reports to ensure that our control framework remains strong.

Our Corporate Assurance Map (CAM) has revealed the following areas where we are looking for further assurances to ensure our control framework remains robust. These are largely to do with services provided outside of Natural England. Natural England's Estates, Procurement and Systems Knowledge and Information services are provided by central teams within Defra. The service provided to Natural England has been monitored and found to be satisfactory. We have also been provided with assurance from Defra Internal Audit on the effectiveness of the performance of procurement and IT for 2015/16.

Transactional and processing services for Finance, Human Resources and Payroll are received from Shared Services Connected Limited (SSCL), our shared service provider. Service standards are set out in a Framework Agreement and Call Off contract, with a series of supporting key performance indicators. Grant Thornton, also reviewed the control assurance framework of SSCL for 2015/16, and provided a 'reasonable' level of assurance that the control environment is operating effectively.

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

#### 4 Risk Management framework

The Risk Control Framework seeks to embed risk management within business processes.

Every year we conduct a risk management maturity model review of our processes. These have shown year on year improvements and our current assessment is at a level 4 with 5 being the highest that is attainable. The direction of travel on our Key risk areas regularly feature on the Board's agenda.

The Key issues and risks are shown on page 5.

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

- Income Generation where the risks associated with meeting income projections highlighted in an Internal Audit report, encouraged the senior leadership team to escalate the issue for a strategic conversation
- Report from a lessons learned exercise on the handling of a contentious case identified ten actions for consideration by SLT and resulted in revised guidelines being introduced
- Delivery of CAPD during 2015/16 has been subject to constant scrutiny and monitoring by the senior leadership team and by review from both management and third party independent advisors

#### 5 Whistleblowing

Natural England is committed to high standards of integrity, honesty and professionalism in all that it does. These standards are reinforced by our Ways of Working Statement, and we encourage our employees to use the whistleblowing procedures to raise concerns about a past, present or imminent wrongdoing within Natural England or conflicts with the Civil Service Code. Natural England implemented the Civil Service Employee Policy (CSEP) model policy in January 2013 in common with Core Defra and its Executive Agencies. This has been regularly refreshed, in line with CSEP recommendations. Our whistleblowing procedures are compliant with the guidance provided in the treasury handbook for ARA committees. We believe our whistleblowing procedures are appropriate and widely accessible to all staff, however, no issues have been identified through the reporting and investigation procedures in place throughout 2015/16.

#### Conclusion

I have considered the evidence provided regarding the production of this Governance Statement and the independent advice and assurance provided by the Audit and Risk Assurance Committee. I conclude that Natural England has satisfactory governance and risk management systems with effective plans to ensure continuous improvement.



**James Cross**  
Accounting Officer and Chief Executive  
4 July 2016



# Remuneration and staff report

## Remuneration report for Natural England Non-Executive and Senior Leadership Team

### Appointments

All appointments to the Board are made by the Secretary of State for Environment, Food and Rural Affairs. The appointments are made in accordance with the Code of Practice for Ministerial Appointments to Public Bodies issued by the Office of the Commissioner for Public Appointments. Appointments are normally made for a period of three years. More details about our board members can be found on our website: [www.gov.uk/government/organisations/natural-england/about/our-governance#natural-england-board](http://www.gov.uk/government/organisations/natural-england/about/our-governance#natural-england-board)

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

Further information about the work of the Civil Service Commission can be found at [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk)

Senior staff appointment information and remuneration is reported in the tables below. One member of senior staff received an exit package during 2015/16.

### Salary

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

### Performance related pay

Performance related pay is based on an individual's performance rating agreed with their line manager for the previous year. The amount of performance related pay received by people is determined by what is signed off by Defra following annual pay negotiations with the Trade Unions.

The Leadership Group, which comprises the Chief Executive, Chief Officers and Directors can earn a non-consolidated performance related bonus of up to 15% of their current salary. However the Group operates under the Cabinet Office's Senior Civil Service pay principles which restrict such awards to 25% of that population. Any proposed bonus of £17,500 and above requires Treasury approval.

For the 2015 pay award, a recommendation was made to cap the Leadership Group bonus at £2,500 by the Reward and Recognition Working Group. Four non-consolidated performance bonuses were paid.

The Remuneration Committee, a sub-group of the main Board, chaired by the Deputy Chairman and two Board members, make all decisions on senior people's performance related pay, apart from the Chief Executive which is agreed by the Chairman.

For the pay award made in July 2015, (relating to 2014/15), there were two non-consolidated performance payments paid totaling £7.5k. No Benefits in kind were paid in 2015/16.

## Cash Equivalent Transfer Values (CETV)

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

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

## The real increase in the value of the CETV

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

## Remuneration (audited information)

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

Table 1: Natural England non-Executive Board

Board Members	2015/16 Remuneration	2014/15 Remuneration
	£000	£000
Andrew Sells (Chairman)	55 – 60	55 – 60
David Hill (Deputy Chairman) (CBE)	15 – 20	15 – 20
William Cockbain	10 – 15	10 – 15
Catherine Graham-Harrison OBE (to 31/12/14)	-	5 – 10 *
Nigel Reader CBE	10 – 15	15 – 20
Joe Horwood	10 – 15	10 – 15
Doug Hulyer (to 31/5/14)	-	0 – 5 *
David Macdonald (to 30/9/14)	-	5 – 10 *
Andy Wilson (to 31/12/14)	-	5 – 10 *
Andy Clements (from 14/7/14)	10 – 15	5 – 10 *
Simon Lyster (from 14/7/14)	10 – 15	5 – 10 *
Teresa Dent (from 14/7/14) (CBE)	10 – 15	5 – 10 *
Julia Aglionby (from 14/7/14)	10 – 15	5 – 10 *
John Varley (from 27/3/15)	10 – 15	0 – 5 *

\* Full Year equivalent £10-£15k.

During 2015/16 no Non-Executive Directors have left Natural England. Board Members have no entitlement to performance related pay.

## Table 2: Natural England Senior Leadership Team

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

	2015/16				2014/15			
	Salary £000	Performance Related Pay £000	Pension Benefits £000	Total £000	Salary £000	Performance Related Pay £000	Pension Benefits £000	Total £000
<b>Chief Executive:</b>								
David Webster (to 18/07/14) Note 1	-	-	-	-	35 - 40	5 - 10	39	85 - 90
James Cross (from 01/09/14) Note 2	140 - 145	0 - 5	109	250 - 255	80 - 85	-	67	145 - 150
<b>Chief Officers:</b>								
Jim Smyllie (to 31/12/14) Note 3	-	-	-	-	210 - 215	-	54	265 - 270
Guy Thompson (Operations): Note 4	100 - 105	-	57	160 - 165	95 - 100	5 - 10	28	135 - 140
Paul Lambert (Finance & Governance):	90 - 95	0 - 5	29	120 - 125	85 - 90	-	25	110 - 115
Andrew Wood (to 31/01/15) Note 5	-	-	-	-	130 - 135	5 - 10	28	165 - 170
Alan Law (from 1/12/14) (Strategy and Reform) Note 6	85 - 90	-	85	170 - 175	25 - 30	-	35	60 - 65
Tim Hill (from 1/12/14) (Science and Evidence) Note 7	85 - 90	-	111	195 - 200	25 - 30	-	37	60 - 65

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

Note 2 James Cross Full Year Salary for 2014/15 was £135-£140k, 2015/16 £140-£145

Note 3 Jim Smyllie 2014/ 15 Full Year Salary £95-£100k. Jim took voluntary exit and received £138k lump sum

Note 4 Guy Thompson 2014/15 Acting as interim Chief Executive between 19 July and 31 August 2014

Note 5 Andrew Wood 2014/15 Full Year Salary £95-£100k. Andrew took voluntary exit and received a lump sum of £49k

Note 6 Alan Law Full Year Salary for 2014/15 was £80-£85k

Note 7 Tim Hill Full Year Salary for 2014/15 was £80-£85k

Performance related pay paid relates to performance in the prior year. No Benefits in kind were paid in either 2014/15 or 2015/16.

## Fair Pay Disclosures (Audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid individual from the Leadership Group in their organisation and the median remuneration of the organisation's workforce. Median pay figures include agency staff.

Median Pay	2015/16	2014/15
Highest earner's total remuneration	£145k - £150k	£135k - £140k
Median total remuneration	£27,926	£28,143
Ratio	5.3	4.9

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

Pay Ranges	2015/16	2014/15
Highest earner pay range	£145k - £150k	£135k - £140k
Lowest earner pay range	£5k-£10k	£5k-£10k

The employees receiving the lowest pay in the pay range are employed as apprentices. No employees received remuneration in excess of the highest paid director.

## Pension Benefits – Chief Executive & Chief Officers (Audited)

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

Pension Benefits - Chief Executive & Chief Officers	Total accrued pension at age 60 and related lump sum (LS) at 31 March 2016 £000	Real increase in pension and related lump sum (LS) at age 60 £000	CETV at 31 March 2016 £000	CETV at 1 April 2015 £000	Real increase in CETV £000
<b>Chief Executive:</b>					
James Cross	30 - 35	5 - 7.5	409	313	52
<b>Chief Officers:</b>					
Guy Thompson	15 - 20	2.5 - 3	221	171	25
Paul Lambert	20 - 25	0 - 2.5	379	323	23
Tim Hill	25 - 30 Lump Sum 80 - 85	5 - 7.5 Lump Sum 10 - 12.5	484	370	73
Alan Law	25 - 30 Lump Sum 70 - 75	2.5 - 5 Lump Sum 10 - 12.5	462	358	68

Detailed information on our pension commitments can be found in note 3.3 to the accounts.

2014/15 Pension benefits figures in relation to James Cross, Paul Lambert, Alan Law and Tim Hill have been amended, in line with information received from MyCSP.

## Staff Report

Natural England ensures that the terms, policies, procedures, programmes, services and systems it offers its employees and customers are fair and equitable.

Natural England has established a new Steering Group to oversee the development, improvement and maintenance of health, safety, well-being, diversity and inclusion in Natural England. Membership, drawn from all levels, includes 'champions' for each of the priority areas targeted for improvement.

We use a staff survey to gain insight into and evidence about how everyone is doing and what they want to improve. We ran two surveys (September 2015 and March 2016) so that we could closely monitor and measure improvement in staff morale, following a further drop (41%) recorded in the February 2015 survey. Despite many positive and well received actions to address issues within our control and a small rally in September (46%), positive response rates fell back to 42%. We continue to review how we can improve staff morale by considering the factors raised by our staff and putting plans in place to address those which are in our direct control.

Natural England's skills development programme continues to focus on the technical and scientific skills as well as the personal skills all staff need to work effectively. Building leadership, capability continues too. Our "Skills Framework" gives us a good understanding of our skills and capabilities helping us prioritise skills development activity and resources.

The workforce strategy sets out how Natural England will develop and deploy our people. Using succession planning and other tools we aim to retrain, develop and nurture our workforce in order that we can deliver the priorities and outcomes defined in the Defra's Business Plan.

Our Partnership Agreement with the trade unions reflects our continuing commitment to involve employees in improving the quality of working life in Natural England. We are committed to working together through open, positive and constructive dialogue, to ensure that Natural England is a successful organisation. The Agreement was last reviewed and signed off in January 2015.

We continue to monitor the health, safety and wellbeing of our employees. The employee health surveillance programme now has a focus on noise, vibration and respiratory function for those working in high risk areas. We continue our programme of health and safety inspections on National Nature Reserves drawing in local managers to broaden knowledge of health and safety risks in these areas. During 2015/16, the average working days lost (AWDL) to sickness absence for Natural England employees was 5.2 days (4.1 days in 2014/15).

### Number of Senior Civil Service staff or equivalent by payband

	31 March 2016	31 March 2015
	No.	No.
Chief Executive (SCS 3 equivalent)	1	1
Chief Officers (SCS 2 equivalent)	4	4
Directors (SCS 1 equivalent)	13	13
	<b>18</b>	<b>18</b>

A detailed breakdown of staff costs and numbers can be found in notes 3.1 and 3.2 to the accounts.

## Staff split by Gender

Changes to the Companies Act 2006 set out new legislation which states that the gender split of employees must be reported. The following table includes all permanent and temporary staff, including staff on career breaks and unpaid maternity leave, but excluding agency staff, as at 31 March 2016:

	Male	Female
Non-Executive Directors	8	2
Management Staff	14	4
All Other Staff	1,026	1,253
<b>Total Staff</b>	<b>1,048</b>	<b>1,259</b>

## Consultancy expenditure

Strict spending controls were introduced by Cabinet Office in 2010, including the use of consultants. In line with this, all spend on consultancy is formally approved via a Spending Review Panel. During 2015/16 there was £26.4k (£58.7k in 2014/15) of consultancy expenditure approved through the Spending Review Panel.

## Off-payroll engagements

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

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

Table 1: For all off-payroll engagements as of 31 March 2016, for more than £220 per day and that last longer than six months

	Number
No. of existing engagements as of 31 March 2016	-
of which:	
No. that have existed for less than one year at time of reporting organisation's payroll	-
No. that have existed for between one and two years at time of reporting	-
No. that have existed for between two and three years at time of reporting	-
No. that have existed for between three and four years at time of reporting	-
No. that have existed for four or more years at time of reporting	-

Table 2: For all new off-payroll engagements between 1 April 2015 and 31 March 2016, for more than £220 per day and that last longer than six months

	Number
No. of new engagements between 1 April 2015 and 31 March 2016	-
No. of new engagements which include contractual clauses giving Natural England the right to request assurance in relation to income tax and National Insurance obligations	-
No. for whom assurance has been requested	-
of which:	
No. for whom assurance has been received	-
No. for whom assurance has not been received	-
No. that have been terminated as a result of assurance not being received or ended before assurance was received.	-

Table 3: For any off-payroll engagements of board members and/or senior officials with significant responsibility between 1 April 2015 and 31 March 2016

	Number
No of off-payroll engagements of board members and/or senior officials with significant responsibilities	-
No of posts as of 31 March 2016, within Natural England that contain, or once filled would contain, individuals that are "board members" and/or senior officials with significant financial responsibility". This figure includes both off-payroll and on-payroll engagements.	7

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

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



# Parliamentary Accountability and Audit Report

## Regularity of Expenditure (Audited)

Natural England's Accounting officer, our Chief Executive is the person on whom parliament calls to account for stewardship of its resources. The standards the accounting officer is expected to deliver cover Governance (see page 26), Decision-making and Financial Management.

Natural England complies with the HM Treasury guidance 'Managing Public Money', which in short covers the principles as to how Government bodies handle public funds with probity and in the public interest. The Financial Memorandum sets out the specific financial framework, within which Natural England is required to operate. This is complemented by the Scheme of Delegation which is the means by which a statutory body authorises its employees to carry out certain of its functions. Natural England has separated its Scheme of Delegation into two parts for ease of reference:

- a financial schedule of delegations ("FSoD") which covers all financial functions or functions which have monetary implications e.g. loans, scheme payments etc; and
- a non-financial schedule of delegations ("NFSoD") which covers all non-monetary functions e.g. licences, enforcement action etc.

Cabinet office introduced strict spending controls in 2010 on various categories of spend including advertising; external recruitment; consultancy and IT Projects or any other expenditure over £10k. To comply with this Natural England established the Spending Review Panel (SRP) through which expenditure in any of these categories must pass for approval prior to any commitment being made.

In addition to the above under the Governments transparency agenda, expenditure is published monthly on all transactions over £25k and Government Procurement Card spend over £500.

An annual audit of Natural England's Accounts is undertaken by the National Audit Office (NAO) and to compliment this we also have an ongoing internal audit programme. This helps to provide assurance to our Audit and Risk Assurance committee that finances are being handled appropriately and with propriety.

All of the above give us assurances that our Finances are being handled with regularity.

For 2015/16, we can report that there were no losses, special payments or gifts incurred during the year to date which exceeded £300k.

## Fees and Charges (Audited)

Natural England led the way as a statutory consultee with the introduction in 2013 of chargeable discretionary pre-application advice (DAS) on planning proposals. In 15/16 we have generated over £1m income from this service and we are seeing strong and growing uptake of this service. We have now recognised a market demand to extend the scope of our offer and apply this approach to other areas of our work where there is customer demand for upfront advice. These services provide customer benefit in having access to Natural England's expert advice at an early stage in the development of a project, reducing the risk of delay or additional cost at a later stage.

See our website for more information [www.naturalengland.org.uk](http://www.naturalengland.org.uk)

- The Discretionary Advice Service (DAS) and
- The Pre-submission Screening Service (PSS)

We are able to resource this non-statutory work through the introduction of charging to cover our costs. Recovery is on a full cost basis in line with HM Treasury's guidance "Managing Public Money". See note 5 for further details.

Looking ahead, Natural England is keen to ensure that it can maintain and enhance its customer service and provide more effective delivery of its statutory roles through a package of reform measures which include the introduction of charges for certain areas of its statutory work. By doing so, Natural England aims to deliver exchequer savings and achieve better environmental outcomes by investing in its services to meet customer demand, offering a greater level of choice for customers whilst at the same time mitigating the impact of continuing pressures on Grant-in-Aid.

## Public Sector Information Holders

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

## Auditors

The accounts of Natural England are audited by the Comptroller and Auditor General under the Natural Environment and Rural Communities Act 2006. The audit fee for 2015/16 is £110k (2014/15: £112k). There have been no payments made to auditors for non-audit related work.



**James Cross**  
Chief Executive  
4 July 2016

# 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 2016 under the Natural Environment and Rural Communities Act 2006. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and staff report and the Parliamentary accountability and audit report within the Accountability Report that is described in that report as having been audited.

## Respective responsibilities of the Chief Executive and Auditor

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

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

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

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

## Opinion on regularity

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

## Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Natural England's affairs as at 31 March 2016 and of Natural England's Net Expenditure after interest for the year then ended; and
- The financial statements have been properly prepared in accordance with the Natural Environment and Rural Communities Act 2006 and Secretary of State directions issued thereunder.

## Opinion on other matters

- the parts of Remuneration and staff report and the Parliamentary accountability and audit report within the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Natural Environment and Rural Communities Act 2006; and
- the information given in Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

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

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

## Report

I have no observations to make on these financial statements.

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

5 July 2016

## 2. Financial Statements

### Statement of Comprehensive Net Expenditure for the period ended 31 March 2016

	Note	2015/16 £000	2014/15 £000
<b>Expenditure</b>			
Staff costs		82,847	82,284
Depreciation & Amortisation	4	2,913	3,548
Programme & Grant expenditure	4	30,070	59,728
Other expenditure	4	37,263	48,793
<b>Total Expenditure</b>		<b>153,093</b>	<b>194,353</b>
<b>Income</b>			
Operating Income	5	(13,367)	(13,357)
Fees & Charges Income	6	(1,499)	(654)
<b>Total Income</b>		<b>(14,866)</b>	<b>(14,011)</b>
<b>Net Expenditure</b>		<b>138,227</b>	<b>180,342</b>
Interest receivable		(6)	(1)
<b>Net Expenditure after interest</b>		<b>138,221</b>	<b>180,341</b>

### Other Comprehensive Expenditure

Net loss / (gain) on revaluation of Property Plant and Equipment	7.1a & 7.1b	2,241	(527)
Net loss / (gain) on revaluation of heritage assets	8	25,231	(2,738)
Net loss / (gain) on revaluation of Agricultural Biological Assets		5	-
Net (gain) loss on pensions provision		(13)	22
<b>Total Comprehensive Net Expenditure</b>		<b>165,685</b>	<b>177,098</b>

The accounting policies and notes on pages 46-75 form part of these financial statements.

# Statement of Financial Position as at 31 March 2016

	Notes	31 March 2016 £000	31 Mar 2015 £000
<b>Non-current assets:</b>			
Property, plant and equipment	7.1	12,832	17,482
Intangible assets	7.2	3,578	5,453
Heritage assets	8	52,928	75,206
Agricultural biological assets		168	172
<b>Total non-current assets</b>		<b>69,506</b>	<b>98,313</b>
<b>Current assets:</b>			
Inventories		84	108
Trade and other receivables	11	8,360	6,867
Cash and cash equivalents	12	4,185	10,829
<b>Total current assets</b>		<b>12,629</b>	<b>17,804</b>
<b>Total assets</b>		<b>82,135</b>	<b>116,117</b>
<b>Current liabilities:</b>			
Trade and other payables	13.1	(19,757)	(28,840)
Pension Provision	14.1	(15)	(15)
Other provisions	14.2	(2,311)	(1,550)
<b>Total current liabilities</b>		<b>(22,083)</b>	<b>(30,405)</b>
<b>Total assets less current liabilities</b>		<b>60,052</b>	<b>85,712</b>
<b>Non-current liabilities:</b>			
Other payables	13.2	(1,993)	(3,187)
Pension Provision	14.1	(278)	(296)
Other Provisions	14.2	(1,394)	(2,152)
<b>Total non-current liabilities</b>		<b>(3,665)</b>	<b>(5,635)</b>
<b>Assets less liabilities</b>		<b>56,387</b>	<b>80,077</b>
<b>Taxpayers Equity</b>			
General Fund		14,796	11,014
Revaluation Reserve		41,591	69,063
		<b>56,387</b>	<b>80,077</b>

The accounting policies and notes on pages 46-75 form part of these financial statements.



**James Cross**  
Accounting Officer and Chief Executive  
4 July 2016

# Statement of Cash Flows for the period ended 31 March 2016

	Notes	2015/16 £000	2014/15 £000
<b>Cash flows from operating activities</b>			
Net expenditure		(138,221)	(180,341)
<b>Adjustment for non-cash items</b>			
Depreciation & amortisation (current year)	7.1a & 7.2a	2,913	3,588
Adjustment to prior year assets		(512)	-
Adjustment to prior year depreciation		-	(40)
Impairment	9	(965)	5,358
Service concession asset adjustment		251	(35)
(Surplus)/ loss on disposal of assets net of Proceeds	4	362	618
Notional Corporate Services Recharge	1.24	27,268	-
Write backs net of provisions provided for in year		847	3,105
Exchange loss / (gain)		-	32
(Increase) / Decrease in trade and other receivables	11	(1,493)	(5,317)
Decrease/(Increase) in inventories		24	(18)
(Decrease) / Increase in trade payables	13	(9,083)	(11,046)
Use of provisions		(863)	(179)
<b>Net cash outflow from operating activities</b>		<b>(119,472)</b>	<b>(184,275)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7.1	(767)	(698)
Purchase of intangible assets	7.2	-	-
Purchase of non-current heritage assets	8	-	(4,544)
Purchase of agricultural biological assets		-	(28)
(Decrease) in non-current payables	13.2	(1,194)	(436)
Proceeds of disposal of property, plant and equipment		48	76
<b>Net cash outflow from investing activities</b>		<b>(1,913)</b>	<b>(5,630)</b>
<b>Net financing</b>			
Interest		6	1
Grants from Defra		114,735	179,557
<b>Net financing</b>		<b>(6,644)</b>	<b>(10,347)</b>
<b>Net (decrease) in cash and cash equivalents in the period</b>	<b>12</b>	<b>(6,644)</b>	<b>(10,347)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>12</b>	<b>10,829</b>	<b>21,176</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>12</b>	<b>4,185</b>	<b>10,829</b>

The accounting policies and notes on pages 46-75 form part of these financial statements.

## Statement of Changes in Taxpayers' Equity for the period ending 31 March 2016

	Notes	Revaluation Reserve £000	General Reserve £000	Total Reserves £000
<b>Balance at 31 March 2015</b>		<b>69,063</b>	<b>11,014</b>	<b>80,077</b>
Core Grant in Aid from Defra	SoCF	-	103,111	<b>103,111</b>
English Coastal Path	SoCF	-	3,684	<b>3,684</b>
Catchment Sensitive Farming Grant from Defra	SoCF	-	4,375	<b>4,375</b>
Water Framework Directive from Defra	SoCF	-	1,758	<b>1,758</b>
BTB	SoCF	-	1,036	<b>1,036</b>
Bolton Fell Moss Grant from Defra	SoCF	-	655	<b>655</b>
Other Defra Income	SoCF	-	116	<b>116</b>
Notional Corporate Services Recharge	Note 4	-	27,268	<b>27,268</b>
Comprehensive Net Expenditure for the year	SOCNE	-	(138,221)	<b>(138,221)</b>
Quinquennial revaluation		(27,472)	-	<b>(27,472)</b>
<b>Balance at 31 March 2016</b>		<b>41,591</b>	<b>14,796</b>	<b>56,387</b>

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

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2015

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



# Notes to the Financial Statements

## 1 Statement of accounting policies

### Basis of accounting

These Financial Statements have been prepared in accordance with the 2015/16 *Government Financial Reporting Manual* (FReM) issued by H M Treasury and the accounts direction issued by the Secretary of State for Defra, in accordance with Schedule 1, Sections 23 and 24 of the Natural Environment and Rural Communities Act 2006. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

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

### 1.1 Significant judgments and estimation uncertainty

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

#### 1.1.1 Indexation of Non-Current Assets & Heritage Assets

Between professional quinquennial revaluations, all freehold Land and Building and Heritage Assets are updated annually where material using indices as stated in notes 1.3.1 & 1.7.1. Depreciation of these assets is spread across the deemed useful economic life, which also requires the use of judgement. During the year, all of our non-current assets and heritage assets have been professionally revalued by a firm of qualified and independent surveyors in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual so it has not been necessary to apply any other indexation to these assets for 2015/16.

#### 1.1.2 Employee Benefit Accrual

Natural England accounts for unused annual leave based on actual figures as at 31 December 2015 (for the 12 month leave period 1 January 2015 to 31 December 2015), and uses this as a proxy for unused annual leave as at 31 March 2016 in accordance with IAS 19 'employee benefits'. This is included as an accrual and the movement in year is recognised as an expense within staff member costs at the reporting date.

### 1.2 Accounting Convention

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

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

### 1.3.1 Recognition and valuation

In accordance with IAS 16 as interpreted by FReM, Land and buildings are reported in the Statement of Financial Position at fair value, stated at market value in existing use. All are revalued every five years in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual (the Red Book). Operational heritage land and other land and buildings must be valued externally. All Land and Building assets were last valued by external valuers in 2015/16 as at 31 March 2016.

In between valuations, all land and building values are updated annually using indices.

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

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

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

### 1.3.2 Service Concession Arrangements (IFRIC12)

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

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

## 1.4 Depreciation

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

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

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

## 1.5 Intangible Non-Current Assets and Amortisation

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

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

## 1.6 Research and Development

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

## 1.7 Heritage assets

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

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

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

### 1.7.1 Valuation

Heritage asset land and buildings are reported in the Statement of Financial Position at fair value, stated at market value. In line with the FReM, heritage assets are revalued every five years. They were initially valued at 1 April 2010 by internal and external valuers, and have in 2015/16 been

revalued by external valuers as at 31 March 2016. In-between these revaluations, values are updated annually where material, using a combination of indices.

Any surplus or deficit on valuation of the NNRs compared to their historic cost is recognised in the Revaluation Reserve, to the value of the previous upward revaluation, and is reported in the Statement of Other Comprehensive Expenditure and Statement of Changes in Taxpayers' Equity. The land element of the NNRs is not depreciated. Buildings are depreciated on a straight line basis over their useful lives, which are deemed to be fifty years, but an alternative life may be ascribed if this is considered more suitable.

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

### 1.7.2 Acquisitions

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

## 1.8 Impairment

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

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

## 1.9 Financial Instruments

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

### 1.9.1 Financial Assets and liabilities

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

### 1.9.2 Available Financial Assets for Sale

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

### 1.9.3 Financial Liabilities

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

### 1.9.4 Loans and receivables

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

### 1.9.5 Managing Risk in Financial Instruments

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

## 1.10 Taxation

Natural England is a body corporate. Should any investment income be earned or trading profits received we would be liable to Corporation Tax. During 2015/16 there was no liability for Corporation Tax.

## 1.11 Value added Taxation (VAT)

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

## 1.12 Grant in Aid (GiA)

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

### 1.13 Grants Receivable

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

### 1.14 Grants Payable

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

### 1.15 Operating Income

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

### 1.16 Fees and Charges Income

Fees and charges are set based on full costs recovery in line with H M Treasury's "Managing Public Money". In this respect the full cost of our commercial services activities are fully covered by the fee income charged for them. When setting future years fees and charges, consideration is given over a three year rolling period, to enable a breakeven position to be achieved. If less income were recovered than it cost us to provide the service, this would be an indication that our fee levels were set at too low a level (the reverse is true if we were to over recover costs) and we would have to review the level of the fees that we charge.

### 1.17 Cash and Cash Equivalents

Natural England uses the Government Banking Service (GBS – see note 12 for further information) for all its accounts and manages them in accordance with H M Treasury's Banking Stewardship Guidance. Cash and cash equivalents include cash in hand and deposits with any qualifying financial institution, repayable on demand or maturing within three months of the date of acquisition and which are subject to an insignificant risk of change in value.

### 1.18 Short Term Investments

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

## 1.19 Treatment of Foreign Exchange Differences

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

## 1.20 Employee Benefits

### 1.20.1 Pension Arrangements

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

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

### 1.20.2 Early Departure Costs

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

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

### 1.20.3 Other Employee Benefits

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

## 1.21 Leases

A finance lease is one which transfers substantially all the risks and rewards of ownership to the lessee. If a leasing arrangement is in force for a substantial period of the useful expected life of the asset, then the lessee is assumed to carry all of the risk. An operating lease is a lease other than a finance lease. The determination of whether an arrangement is, or contains, a lease is based on the substance of that arrangement. This assessment is based on whether the arrangement is

dependent on the use of a specific asset and conveys the right to use the asset. Natural England evaluates contractual arrangements in accordance with the above criteria as laid down in IAS 17.

Operating leases and the rentals thereon are charged to the Statement of Comprehensive Net expenditure on a straight-line basis over the term of the lease. Where Natural England occupies a property that is leased by Defra, there is a future commitment that is consistent with arrangements containing a lease as defined by IFRIC 4. Natural England has an imputed finance lease commitment. See notes 7 and 15.3 for details relating to the IBM Right of Use Service Concession Arrangement, defined in IFRIC 12.

## 1.22 Provisions

In accordance with IAS37, Natural England provides for obligations arising from past events where it is probable that it will be required to settle the obligation and a reliable estimate can be made.

## 1.23 Contingent Liabilities

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

## 1.24 Notional Corporate Services Recharges

Commencing from 1 April 2015 Defra Corporate service costs (Genesis Depreciation and DDTS (Digital Data & Technology Services) and CEK (Commercial, Estates & Knowledge services) were no longer directly invoiced to Defra bodies. Natural England still benefits from the use of these Corporate Services, but the full budgets are retained by the central department in order to procure and manage the services more efficiently and effectively. Annual notional non-cash charges for these services will instead now be issued to each Network body for inclusion in their statutory accounts to ensure a true and fair view of costs is represented. A corresponding credit in the Defra Accounts ensure on consolidation that there is no duplication of these costs.

## 1.25 Impending Application of Newly Issued Accounting Standards Not Yet Effective

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

- IFRS 15 – Revenue from contracts with customers, effective date 1 January 2018.
- IFRS 9 – Financial Instruments, effective from 1 January 2018. Brings together all three phases of the financial instruments project, Classification and Measurement; Impairment and Hedge Accounting.
- IFRS 16 – Leases, effective from 1 January 2019. Specifies how an IFRS reporter will recognise, measure, present and disclose leases.



## 2 Analysis of Net Expenditure by Segment

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

Natural England’s Senior Leadership Team and Performance, Risk and Resource Group, comprising senior managers, evaluate performance regularly at and below operating segments, whilst deciding how to allocate resources and monitor outcomes. Each of these operating segments aligns to teams managed either nationally, by an Executive Director of the Board, or locally by Local Area Managers. There have been changes to our structure for 2015/16, including the movement of biodiversity work from Local Delivery to Strategy & Reform, the movement of Innovation work from Science & Evidence to Strategy & Reform.

- Strategy & Reform, including:
  - Innovation & Reform
  - Landscape, Access and Geodiversity
  - Sustainable Development
  - Terrestrial Biodiversity
- Science & Evidence, including:
  - Evidence Services
  - Specialist Services
- Operations, including:
  - Operations Management
  - Operations Team North
  - Operations Team South
  - Technical Services
- Finance & Governance, including:
  - Finance & Performance
  - Organisation Development (including Health and Safety)
  - Chairman & Executive Office
  - Legal

## 2.1 Statement of Comprehensive Net Expenditure for the year ended 31 March 2016 by operating segment

	Operating Segment 2015/16					Total £000
	Strategy & Reform £000	Science & Evidence £000	Operations £000	Finance & Governance		
				Internal £000	Defra Recharges £000	
Staff Costs	19,649	5,710	50,455	7,033	-	82,847
Non pay running & other operating costs	2,375	374	2,990	2,769	-	8,508
SSCL Shared Service Recharge	-	-	-	-	2,452	2,452
Corporate Service Recharge	-	-	-	-	27,268	27,268
Programme & Grant expenditure	11,819	1,329	4,694	2,195	-	20,037
Genesis System Maintenance	-	-	-	10,033	-	10,033
Depreciation, Amortisation & Impairment	-	-	-	1,948	-	1,948
<b>Total Expenditure</b>	<b>33,843</b>	<b>7,413</b>	<b>58,139</b>	<b>23,978</b>	<b>29,720</b>	<b>153,093</b>
Income	(2,178)	(46)	(12,511)	(137)	-	(14,872)
<b>Net Expenditure</b>	<b>31,665</b>	<b>7,367</b>	<b>45,628</b>	<b>23,841</b>	<b>29,720</b>	<b>138,221</b>

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

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

\*DDTS Digital Data & Technology Services, CEK Commercial, Estates and Knowledge Services

The 2014/15 segmental reporting is shown for information purposes, though it is not possible to compare results by using the same segments for the two year period. The 2014/15 results have not been re-analysed using our new structure as it's not practical to recalculate the figures in the new structure.

The Science and Evidence and the Operations/ Area Teams segments will include the £3.33m science and monitoring evidence spend in addition to other expenditure not formally classified as research and development.

### 3.1 Staff Costs

	2015/16 £000	2014/15 £000
Permanent & Fixed Term Appointments salaries and allowances	60,153	61,885
Employer Superannuation Payment	12,153	11,496
Partnership Pension Contributions	114	99
Permanent & Fixed Term Appointments social security costs	4,474	4,679
Agency and temporary staff	6,355	4,956
Inward secondees	261	145
Temporary staff social security	117	57
Temporary staff superannuation	358	137
Other staff costs	192	280
Less recoveries in respect of outward secondments	(1,330)	(1,724)
Early retirement and severance costs	-	274
<b>Total net costs</b>	<b>82,847</b>	<b>82,284</b>

### 3.2 Staff Numbers

	2015/16 No.	2014/15 No.
The average number of whole-time equivalent persons employed during the year was as follows:		
<b>Permanent staff &amp; Fixed Term Appointments</b>		
Executive/Director	18	21
Manager/Principal Specialist/Adviser	165	176
Team Leader/Senior Specialist/Adviser	494	486
Group Coordinator/Lead Adviser/Specialist	771	786
Adviser/Support Adviser	460	519
	<b>1,908</b>	<b>1,988</b>
<b>Temporary and contract staff</b>		
Executive/Director	-	-
Manager/Principal Specialist/Adviser	2	1
Team Leader/Senior Specialist/Adviser	3	6
Group Coordinator/Lead Adviser/Specialist	19	17
Adviser/Support Adviser	305	229
	<b>329</b>	<b>253</b>
<b>Total</b>	<b>2,237</b>	<b>2,241</b>

### 3.3 Reporting of Civil Service and other compensation schemes – exit packages

Exit package cost band	Total number of exit packages by cost band	
	2015/16	2014/15
<£10,000	-	-
£10,000 - £25,000	-	-
£25,000 - £50,000	-	1
£50,000 - £100,000	-	-
£100,000 - £150,000	-	1
£150,000 - £200,000	-	-
Total number of exit packages by type	-	2
Total resource cost (£000)	-	187

### Pension commitments

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

Following an amendment in March 2012, the PCSPS rules were further amended in March 2013 and March 2014 to provide for scheme members to pay extra contributions from 1 April 2013 and 1 April 2014 respectively, with the contribution rate for individuals dependent on their full-time equivalent annual pensionable earnings. Further details can be found in the resource accounts of the Cabinet Office: Civil Superannuation [www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)

As at 31 March 2016, employer's contributions of £12.5m were payable to the PCSPS (2014/15 £11.6m) at one of four rates in the range 20-24.5% of pensionable pay, based on salary bands. The Scheme Actuary usually reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of benefits accruing during 2015/16 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £114k were paid to one or more of the panel of three appointed stakeholder pension providers (2014/15 £99k). Please note that Prudential/TUC scheme closed to new members in 2014/15. Employee contributions are age-related and range from 3% - 12.5% of pensionable pay. The Employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable pay. In addition, employers also contribute a further 0.5% of pensionable pay to the PCSPS, to cover the cost of the future provision lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the Statement of Financial Position date were £11k (2014/15 £6k).

## Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

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, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a 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% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 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, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

## 4 Expenditure

	Notes	2015/16 £000	2014/15 £000
Programme Expenditure		11,228	16,693
Legal Expenditure (includes compensation payment)		1,162	10,267
Programme expenditure – Research & Development		3,334	4,426
Programme expenditure – Operating lease rentals		739	697
Grant Expenditure		3,574	6,523
Genesis system <sup>(note a)</sup>		10,033	21,122
<b>Subtotal – Programme &amp; Grant expenditure</b>		<b>30,070</b>	<b>59,728</b>
IBM IT contract recharges <sup>(note a)</sup>		-	20,991
Estates recharges from Defra <sup>(note a)</sup>		-	6,452
Staff travel and subsistence costs		3,951	4,074
SSCL shared service recharges		2,452	3,070
Digital Data and Technology Services (DDTS) and Commerical, Estates and Knowledge (CEK) recharges <sup>(note a)</sup>		-	2,979
Staff support costs		668	679
Estates management costs		1,320	1,251
Printing and stationery		108	217
Vehicle costs		1,021	984
External auditors remuneration		110	112
Internal audit programme		193	133
Other operating costs		785	1,850
<b>Non-cash items;</b>			
Impairments charged to net expenditure		(965)	5,398
Upward revaluations of prior year impairment		-	(40)
Loss on disposal of Property, Plant & Equipment		362	618
Notional Corporate Services Recharge	1.24	27,268	-
Bad Debt Provision		(10)	25
<b>Subtotal</b>		<b>37,263</b>	<b>48,793</b>
Depreciation & Amortisation	7	2,913	3,588
Prior year depreciation adjustment		-	(40)
<b>Total Expenditure</b>		<b>70,246</b>	<b>112,069</b>

Note a – these items now form part of the Notional Corporate Service Recharges. See note 1.24.

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

Impairments charged to Net expenditure in 2014/15 relates to recently purchased Heritage Land. The site is subject to planning consents whereby there is a requirement for the property to be restored to a favourable condition consistent with its nature conservation designation. NE is now largely in ownership of the site, with the majority of the restoration works due to be undertaken over the period 2015/16 to 2017/18 (subject to capital funding from Defra). As only a minor share of the restoration works have been completed, the land is subject to a significant liability and hence is valued at a notional value of £1, which resulted in the impairment of £5.3m in 2014/15.

## 5 Operating Income

	2015/16 £000	2014/15 (re-analysed) £000
EU Technical Assistance	10,151	8,969
Heritage and National Lottery Fund	95	321
Contributions from conservation partners	443	831
Basic Payment Scheme	827	900
Other income	229	174
Income from National Nature Reserves	798	716
Legal receipts	5	518
Wildlife Incident Investigation Services	234	172
European LIFE Project Receipts	585	756
<b>Total Programme Income</b>	<b>13,367</b>	<b>13,357</b>

Technical Assistance income is a form of EU funding provided to support and improve the implementation of EU funded operational programmes. The funding is paid to Natural England via the RPA as part of the Rural Development Programme for England 2007-2013 and 2014-20. It has been utilised to fund a range of activities associated with enhancing implementation of Environmental Stewardship and horizontal Rural Development aspects of CAP 2014-20.

## 6 Fees and Charges Income

	2015/16 £000	2014/15 £000
Fees and Charges (Commercial) Income	1,499	654

Natural England has continued to work towards extending charging options to a number of work areas where we feel charging is appropriate. This involves addressing legal, financial and stakeholder issues and securing the approvals of our Board, Defra and in some case H M Treasury, where needed.

Developers may obtain free information from Natural England in order to ascertain whether developments will have a significant impact on protected sites and species. This free advice checks whether or not the development will affect the best and most versatile agricultural land and then provides advice on what to include in the planning application. If a customer would like more complicated help and advice, such as reviewing survey results, advising on landscape and visual impact assessment or advice on mitigation strategies to reduce damage to the environment, they have the option of using a chargeable service.

Fees and Charges income in 2015/16 is derived from a combination of discretionary advice related to our planning, wildlife licensing and SSSI assent work under our Discretionary Advice Service (DAS) and Pre-Submission Screening Service (PSS)

Further details about Natural England's Discretionary advice service (including charges per application) can be found on the [Developers: get environmental advice on your planning proposals - Detailed guidance - GOV.UK](#).



## Analysis of fees and charges

Discretionary Advice and Pre Submission screening:	2015/16 £000	2014/15 £000	Cumulative results £000
Income	1,499	654	2,153
Expenditure	(1,495)	(661)	(2,156)
<b>Surplus / (Deficit)</b>	<b>4</b>	<b>(7)</b>	<b>(3)</b>

The above table shows that Natural England over recovered costs by £4k in 2015/16, but if considered over a three year rolling period, 2014/15 and 2015/16 show a £3k deficit (shortfall in fee income compared to costs) to be carried forward to 2016/17 to ensure that fees and charges breakeven over a three year rolling period.

## 7 Non-current assets

In accordance with IAS 16 as interpreted by the FReM, all freehold land (except non-operational heritage assets) and buildings are stated at fair value, and are revalued every five years by qualified valuers, on the basis of existing value in use, in accordance with the Royal Institution of Chartered Surveyors' (RICS) Appraisal and Valuation Manual. This revaluation was carried out as at 31 March 2016 by Bruton Knowles, by RICS qualified staff. In between professional revaluations, values are updated annually where material, using indices, provided by RICS for land and the Department of Business Skills and Innovation (BIS) for buildings.

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

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

## 7.1a Property, plant and equipment

	Land	Buildings	Leasehold improvements	Plant & Machinery	Vehicles	Furniture & Fittings	Information Technology	Assets Under Construction (AUC)	Service Concession Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Gross Cost or valuation:</b>										
Balance 1 April 2015	9,230	4,037	1,435	4,491	2,674	3,459	626	-	10,457	36,409
Prior Year Adjustments	25	487	-	-	-	-	-	-	-	512
Additions	-	-	-	86	-	7	674	-	-	767
Reclassifications	(1,291)	53	(53)	-	-	-	-	-	-	(1,291)
Transfers from AUC	-	-	-	-	-	-	-	-	-	-
Disposals	(6)	(108)	-	(141)	(102)	(8)	(255)	-	-	(620)
Service Concession Asset	-	-	-	-	-	-	-	-	(251)	(251)
Revaluation	(2,746)	505	-	-	-	-	-	-	-	(2,241)
Impairment	(387)	(310)	-	-	-	-	-	-	-	(697)
<b>At 31 March 2016</b>	<b>4,825</b>	<b>4,664</b>	<b>1,382</b>	<b>4,436</b>	<b>2,572</b>	<b>3,458</b>	<b>1,045</b>	<b>-</b>	<b>10,206</b>	<b>32,588</b>
<b>Depreciation:</b>										
Balance at 1 April 2015	-	448	739	3,764	1,799	2,343	399	-	9,435	18,927
Charged in year	-	-	139	166	140	378	104	-	361	1288
Reclassifications	-	2	(2)	-	-	-	-	-	-	-
Disposals	-	-	-	(98)	(98)	(8)	(255)	-	-	(459)
Revaluation	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-
<b>At 31 March 2016</b>	<b>-</b>	<b>450</b>	<b>876</b>	<b>3,832</b>	<b>1,841</b>	<b>2,713</b>	<b>248</b>	<b>-</b>	<b>9,796</b>	<b>19,756</b>
<b>Net Book Value:</b>										
<b>At 31 March 2016</b>	<b>4,825</b>	<b>4,214</b>	<b>506</b>	<b>604</b>	<b>731</b>	<b>745</b>	<b>797</b>	<b>-</b>	<b>410</b>	<b>12,832</b>
<b>At 31 March 2015</b>	<b>9,230</b>	<b>3,589</b>	<b>696</b>	<b>727</b>	<b>875</b>	<b>1,116</b>	<b>227</b>	<b>-</b>	<b>1,022</b>	<b>17,482</b>

All assets are owned apart from Service Concessions Assets. As at 31 March 2016 there were no assets held for sale.

## 7.1b Property, plant and equipment

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

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

## 7.2a Intangible assets

	Software licences £000
<b>Gross Cost:</b>	
At 1 April 2015	11,171
Additions	-
Disposals	(636)
<b>At 31 March 2016</b>	<b>10,535</b>
<b>Amortisation:</b>	
At 1 April 2015	5,718
Charged in year	1,624
Disposals	(385)
<b>At 31 March 2016</b>	<b>6,957</b>
<b>Net Book Value:</b>	
At 31 March 2016	3,578
At 1 April 2015	5,453

## 7.2b Intangible assets

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

## 8 Non-current heritage assets

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

As at 31 March 2016 there were two hundred and twenty four NNRs in England covering 94,000 hectares with Natural England managing one hundred and forty three of these on its own or jointly with others, and the remainder are managed by Approved Bodies. As at 31 March 2016, Natural England has acquired the freehold of 280 ha of land at Bolton Fell Moss. The value of the NNRs not owned by Natural England has not been reflected in non-current assets, nor has the land that is owned but not declared as NNR (ie the 'Shadow Estate'). The current net book value of donated heritage assets is £2m.

Heritage assets reported at valuation	Non Operational NNR Land £000	Operational NNR Land £000	Assets under Construction £000	Total £000
<b>Gross cost at 1 April 2015</b>	<b>71,385</b>	<b>3,821</b>	-	<b>75,206</b>
Additions	-	-	-	-
Reclassifications	1,291	-	-	1,291
Revaluation	(24,411)	(820)	-	(25,231)
Impairment	1,662	-	-	1,662
<b>At 31 March 2016</b>	<b>49,927</b>	<b>3,001</b>	-	<b>52,928</b>
<b>Gross cost at 1 April 2014</b>	<b>69,724</b>	<b>3,515</b>	-	<b>73,239</b>
Additions	4,518	-	-	4,518
Transfer from PPE AUC	102	-	-	102
Revaluation	2,432	306	-	2,738
Impairment	(5,391)	-	-	(5,391)
<b>At 31 March 2015</b>	<b>71,385</b>	<b>3,821</b>	-	<b>75,206</b>
<b>Gross cost at 1 April 2013</b>	<b>58,287</b>	<b>3,113</b>	-	<b>61,400</b>
Additions	548	-	-	548
Reclassifications from PPE Land	172	-	-	172
Revaluation	10,717	402	-	11,119
<b>At 31 March 2014</b>	<b>69,724</b>	<b>3,515</b>	-	<b>73,239</b>
<b>Gross cost at 1 April 2012</b>	<b>56,189</b>	<b>2,943</b>	-	<b>59,132</b>
Additions	10	-	-	10
Revaluation	3,118	170	-	3,288
Impairment	(1,030)	-	-	(1,030)
<b>At 31 March 2013</b>	<b>58,287</b>	<b>3,113</b>	-	<b>61,400</b>
<b>Gross cost at 1 April 2011</b>	<b>54,122</b>	<b>2,700</b>	-	<b>56,822</b>
Additions	1	-	-	1
Revaluation	2,066	243	-	2,309
<b>At 31 March 2012</b>	<b>56,189</b>	<b>2,943</b>	-	<b>59,132</b>

## 9 Impairments

	2015/16 £000	2014/15 £000
Charge to Statement of Comprehensive Net Expenditure	965	5,358
Charge to Revaluation Reserve	(27,472)	1,876
	<b>(26,507)</b>	<b>7,234</b>

The breakdown of total impairment can be seen below:

	Upward Revaluation £000	Downward Revaluation £000	Total RR movement £000	Impairment to OCE £000
Land	512	(3,258)	(2,746)	(387)
Buildings	725	(220)	505	(310)
	<b>1,237</b>	<b>(3,478)</b>	<b>(2,241)</b>	<b>(697)</b>
Heritage Assets	5,044	(29,455)	(24,411)	1,662
Operational NNR land	-	(820)	(820)	-
	<b>5,044</b>	<b>(30,275)</b>	<b>(25,231)</b>	<b>1,662</b>
<b>Balance at 31 March 2016</b>	<b>6,281</b>	<b>(33,753)</b>	<b>(27,472)</b>	<b>965</b>

## 10 Financial instruments

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

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

### Liquidity risk

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

### Interest rate risk

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

## Credit risk

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

## Foreign currency risk

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

## Financial assets/liabilities

During the year all bank accounts which were previously held under the Government Banking Service Framework have been transferred and are now operated directly between Natural England and The Royal Bank of Scotland, overseen by The Government Banking Service.

# 11 Trade and other receivables

## 11.1 Amounts falling due within one year:

	31 March 2016 £000	31 March 2015 £000
Accrued income	6,808	5,342
Trade receivables	1,281	1,277
Other receivables	26	36
Prepayments	245	212
	<b>8,360</b>	<b>6,867</b>

## 11.2 Analysis of receivables by organisation type

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

Intra-Government Balances (Accounts Receivable):	Balances due on 31 March 2016 £000	Balances due on 31 March 2015 £000
Balances with other central government bodies	7,301	5,823
Balances with public corporations	1	1
Balances with local authorities	265	188
Balances with bodies external to government	793	855
<b>Total receivables &amp; accrued income</b>	<b>8,360</b>	<b>6,867</b>

## 12 Cash and cash equivalents

	Government Banking Service £000	Short Term Investments £000	Total £000
Balance as at 1 April 2015	10,472	357	10,829
Movement in year	(6,645)	1	(6,644)
Balance as at 1 April 2015	3,827	358	4,185

## 13 Trade and other payables

### 13.1 Amounts falling due within one year:

	31 March 2016 £000	31 March 2015 £000
Trade Payables and other payables	2,444	6,361
Accruals	12,213	17,833
Deferred Income	2,613	2,175
VAT payables	164	144
Tax and social security payables	1,392	1,368
IBM Right of use assets	931	959
	<b>19,757</b>	<b>28,840</b>

### 13.2 Amounts falling due after one year:

	31 March 2016 £000	31 March 2015 £000
IBM Right of Use assets(service concession)	749	1,674
Countryside S28 payable	1,244	1,513
<b>Total other payables</b>	<b>1,993</b>	<b>3,187</b>

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

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

The total future liability to pay for the 'right of use' assets is £1.7m (2014/15 £2.6 m), of which the current liability (included within note 11.1 above, and 14.3) is £0.9m (2014/15 £0.9 m), the non-current liability (included within note 11.2 above, and 14.3) is £0.8m (2014/15 £1.7 m).



### 13.3 Analysis of payables by organisation type

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

Intra-Government Balances (Accounts Payable):	31 March 2016		31 March 2015	
	Amounts falling due within one year: £000	Amounts falling due after more than one year: £000	Amounts falling due within one year: £000	Amounts falling due after more than one year: £000
Balances with other central government bodies	3,914	749	8,057	1,674
Balances with local authorities	2,109	-	2,366	-
Balances with Public Corporations	9	-	69	-
Balances with bodies external to government	13,725	1,244	18,348	1,513
<b>Total payables &amp; accrued income</b>	<b>19,757</b>	<b>1,993</b>	<b>28,840</b>	<b>3,187</b>

## 14 Provisions

### 14.1 Pension Provisions

Pension Provisions	Balance at 1 April 2015 £000	Provided in the year £000	Provisions utilised in the year £000	Provisions not required written back £000	Balance at 31 March 2016 £000
Pensions by analogy	311	(1)	(17)	0	293
<b>Total pensions by analogy</b>	<b>311</b>	<b>(1)</b>	<b>(17)</b>	<b>0</b>	<b>293</b>

Pension Provisions	Not later than one year £000	Later than one year and not later than five years £000	Later than five years £000	Balance at 31 March 2016 £000
Pensions by analogy	15	60	218	293
<b>Total pension by analogy</b>	<b>15</b>	<b>60</b>	<b>218</b>	<b>293</b>

### 14.2 Other Provisions

Other Provisions	Balance at 1 April 2015 £000	Provided in the year £000	Provisions utilised in the year £000	Provisions not required written back £000	Balance at 31 March 2016 £000
Retirement & severance	558	5	(259)	-	304
Litigation	-	165	-	-	165
Land Restoration	3,144	679	(587)	-	3,236
<b>Total other provisions</b>	<b>3,702</b>	<b>849</b>	<b>(846)</b>	<b>-</b>	<b>3,705</b>

Other Provisions	Not later than one year	Later than one year and not later than five years	Later than five years	Balance at 30 March 2016
	£000	£000	£000	£000
Retirement & severance	146	158	-	304
Litigation	165	-	-	165
Land Restoration	2,000	1,236	-	3,236
<b>Total other provisions</b>	<b>2,311</b>	<b>1,394</b>	<b>-</b>	<b>3,705</b>

## 15 Commitments under leases

### 15.1 Operating leases

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

Obligations under operating leases comprise:	31 March 2016 £000	31 March 2015 £000
<b>Land</b>		
Not later than one year	595	579
Later than one year and not later than five years	1,054	1,678
Later than five years	3,896	3,402
<b>Total Land</b>	<b>5,545</b>	<b>5,659</b>
<b>Buildings-</b>		
Not later than one year	105	91
Later than one year and not later than five years	212	154
Later than five years	65	55
<b>Total Buildings</b>	<b>382</b>	<b>300</b>

### 15.2 Defra properties occupied by Natural England

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

Although MOTOs & MOTUs are not a legal lease arrangement, the commercial reality under IFRIC 4 is that these arrangements are consistent with a lease. Therefore, as a going concern Natural England should reflect the underlying commitment to cover rental payments and the need for on-going provision of accommodation for the duration of the terms of the MOTU arrangement. Natural England occupies 25 properties subject to MOTU arrangements, with an average commitment term of three years.

Within the Statement of Comprehensive Net Expenditure the full cost of occupation is reflected in relation to buildings which are either owned or leased by Defra. The costs are proportionate to occupation and include rates, utilities, management overheads, facilities management and

associated capital charges. For leasehold properties this also includes rental costs. The estimated value of non-specialised freehold property owned by Defra but occupied by Natural England is £1.7m (£2.0m 2014/15).

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

<b>Future obligations under MOTU agreements comprise:</b>	<b>31 March 2016</b>	<b>31 March 2015</b>
	<b>£000</b>	<b>£000</b>
<b>Buildings</b>		
Not later than one year	2,447	1,784
Later than one year and not later than five years	5,627	5,039
Later than five years	2,415	2,435
<b>Total Buildings</b>	<b>10,489</b>	<b>9,258</b>
<b>Land</b>		
Not later than one year	1	1
Later than one year and not later than five years	3	3
Later than five years	29	33
<b>Total Land</b>	<b>33</b>	<b>37</b>

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

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

<b>Obligations for the following periods comprise:</b>	<b>31 March 2016</b>	<b>31 March 2015</b>
	<b>£000</b>	<b>£000</b>
Rentals due within one year	986	1,021
Rentals due within two to five years	841	1,950
Rentals due thereafter	-	-
	<b>1,827</b>	<b>2,971</b>
Less interest element	(147)	(338)
<b>Present value of obligations</b>	<b>1,680</b>	<b>2,633</b>
<b>Present value of obligations for the following periods comprise:</b>	<b>31 March 2016</b>	<b>31 March 2015</b>
	<b>£000</b>	<b>£000</b>
Rentals due within one year	931	960
Rentals due within two to five years	749	1,673
Rentals due thereafter	-	-
<b>Present value of obligations</b>	<b>1,680</b>	<b>2,633</b>

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

## 16 Commitments under Private Finance Initiative (PFI) contracts

### 16.1 Off-balance sheet

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

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

	31 March 2016	31 March 2015
	£000	£000
Not later than one year	872	868
Later than one year and not later than five years	3,823	3,721
Later than five years	14,243	15,306
<b>Present value of obligations</b>	<b>18,938</b>	<b>19,895</b>

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

There was no charge to the Statement of Comprehensive Net Expenditure in respect of off-balance sheet PFI transactions during 2015/16 (£0.8m 2014/15).

## 17 Other financial commitments

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

	31 March 2016	31 March 2015
	£000	£000
Not later than one year	751	823
Later than one year and not later than five years	3,005	3,231
Later than five years	2,258	3,231
<b>Present value of obligations</b>	<b>6,014</b>	<b>7,285</b>

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

These payments combined are as follows:

	31 March 2016	31 March 2015
	£000	£000
Not later than one year	16,376	14,173
Later than one year and not later than five years	13,497	25,473
<b>Present value of obligations</b>	<b>29,873</b>	<b>39,646</b>

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

Natural England has the following contingent liabilities;

	31 March 2016	31 March 2015
	£000	£000
Claims and Litigation	292	409

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

## 19 Events after the reporting date

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

On the 23rd June the UK voted to leave the European Union (EU). Natural England currently receives EU funding, both in the form of Rural Development Programme England Technical Assistance Funding, provided to support and improve the implementation of EU funded operational programmes (£10m in 2015/16), and European LIFE Project Funding (£0.6m in 2015/16). Natural England is also responsible for delivering part of the Rural Development Programme England (£407m in 2015/16) which is funded by the EU, but this spend is accounted for by Defra not Natural England. Natural England does though incur the administrative cost of this delivery. The Government has two years under the Article 50 process to seek to negotiate the terms of the UK's exit, with the possibility of extending this time frame with the agreement of the other 27 Member States. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made.

## 20 Related party disclosures

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

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

Member / Senior staff	Corporate related body	Total payments made (Goods & Services)	Total income received	Amount owed by Natural England at 31 March 2016	Amount owed to Natural England at 31 March 2016
Related Party Disclosures		£000	£000	£000	£000
David Hill	Joint Nature Conservation Committee (JNCC)	36	9	-	-
	Plantlife	275	40	-	-
Joe Horwood	Joint Nature Conservation Committee (JNCC)	36	9	-	-
Simon Lyster	Northumbrian Water	4	-	-	-
Andy Clements	British Trust for Ornithology	156	-	74	-
Teresa Dent	Game & Wildlife Conservation Trust	32	-	-	-
	Langholm Moor Demonstration Project	18	-	-	-
John Varley	Environment Agency	403	88	31	4
Nigel Reader	Natural Resources Wales	-	161	-	1
	Joint Nature Conservation Committee (JNCC)	36	9	-	-
	Marine Management Organisation	3	-	-	-

Transactions shown in this table are between Natural England and the organisations for which board members have declared an interest. No board member, chief officer or senior manager has undertaken any material transactions with Natural England for which they have declared an interest. Further information on Board members and chief officers can be found in the remuneration report.

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