

# Natural England Board



Meeting: 14  
Date: 10 December 2008

Paper No: **NEB PU14 02**

Title: **Chief Executive's Report**

Sponsor: **Helen Phillips, Chief Executive**

## 1. Purpose

1.1. The purpose of this paper is to report on our current strategic issues, delivery against our Corporate Plan and our financial performance.

## 2. Recommendations

2.1. It is recommended that the Board:

- advises on our current strategic issues;
- notes our delivery performance on our monthly exception reporting targets;
- notes progress on the 2009/10 Corporate Plan and advises on Board engagement with development of the plan;
- considers our financial position as at October 2008 and forecast outturn for 2008/09; and
- notes the spend and commitments made on the RDPE budget.

## 3. Report

### 3.1. Strategic Issues

3.1.1. Annex 1 provides a summary of the strategic issues listed below. The Chief Executive will provide a verbal update on the current strategic issues at the meeting, including:

- Climate Change Bill;;
- Planning Bill;
- Uplands Entry Level Stewardship Scheme
- Set Aside; and
- The Queen's speech.

### 3.2. 2008/09 Performance update

3.2.1. No overall performance information is provided in this report as the Quarter 2 performance report was presented at the November Board and the Quarter 3 performance will be reported to the February Board. We reported at the November Board meeting that from the Quarter 2 review, six priority targets were identified as needing significant focus. These targets are on monthly exception reporting and progress for October has been reported in the Corporate Performance Management System. The results are being monitored by formal monthly performance reports to the Executive Board. The exception report for October for the six priority targets is provided at Annex 2.

### 3.3 Corporate Plan 2009/10 to 2012/13

3.3.2. We have commenced the Corporate Planning project to produce our Corporate Plan for 2009/10 to 2012/13. This is based on the Strategic Direction which was approved by the Secretary of State in July 2008. We have produced the first draft of the targets, metrics and milestones and these are currently being tested against the delivery agreements and tactical plans that teams are developing. There have been a number of meetings in November involving Communities of Delivery, ELG and Executive Board to review priorities and rebalancing of resources. The resulting hard choices discussion will be considered at the Executive Board on 11 December.

3.3.3. We will engage the Board in the Corporate Plan development after Christmas. We are seeking the Boards advice on the extent of the Board engagement, but suggest that as in previous years a sub group of the Board should be set up and a teleconference held in mid January to discuss targets and hard choices, with a further discussion at the Board on 11 February and a teleconference to finalise the Corporate Plan at the end of February/first week in March. Our plan is to present the Corporate Plan to Defra in March and to achieve Ministerial approval by 31 March 2009.

### 3.4. Financial Position as at 31 October 2008

3.4.1. Annex 3 sets out the financial performance for the first six months to the end of October. This is in a new format that is used for Executive Board reporting and a narrative is included within the Annex. Overall we are reporting a net revenue spend of £102.2m against a profiled budget of £100.2m resulting in an overspend of £2.0m (2%) which is within agreed tolerances. The year to date overspend is not significant because our budget profile is weighted to the second half of the year and the challenge remains for teams to ensure plans are in place to deliver the programme spend by March. At this stage of the year we have only spent 46% of our revenue budget compared with 58% that could be expected if the budget was evenly profiled.

3.4.2. Our cumulative capital spend amounts to £1.5m against a profiled budget of £1.8m. This small underspend is not a cause for concern as we have a fully allocated capital programme which still is on target to spend. The total net revenue amount committed and spent after six months amounts to £180m (this figure includes salary costs) which is 81% of the annual budget. We are forecasting to be on target and meet our Grant in Aid budget.

### 3.5 RDPE budget performance as at 30 November 2008.

3.5.1. Our RDPE performance for 2008/09 spend against commitments already made shows us to be 10% ahead of our equivalent performance in 2007/08, and 79% of the planned budget has already been delivered by 30 November 2008. This is mainly due because of the improved payment of Countryside Stewardship Scheme (CSS) claims by Incentive Scheme Services (ISS) this year. As previously reported to the November Board, we have contacted all CSS and Environment Sensitive Area agreement holders to encourage capital spend in year. This has resulted in our budget being overcommitted by 2.2%.

3.5.2. We are £10.8m (6.9%) behind our planned profile this year in respect of the commitments being made for 2009/10 expenditure. Specific actions are planned and in progress to address Classic Scheme renewals, capital project spend and HLS and ELS take up to remedy the underlying position for 2009/10. The volume of HLS applications for the November window at just over 400 is the highest seen for two years. An analysis of actions taken to improve the budget performance is provided at Annex 4. Annex 5 sets out details of under spend and uncommitted spend by region for 2009/10.

### 3.6. Shared Services Directorate

3.6.1. We have briefed the December Audit and Risk Committee on the market analysis we have undertaken to explore potential alternative shared service providers. We will continue to work up our options with the aim of producing a full business case to the Executive board on 21 January 2009.

3.6.2. Following our meeting with Ian Watt, Defra Director General for Finance and Commercial Group and Neil Serjeant, Chief Executive of SSD we have received an initial proposal for the reduction of charges from SSD that we were seeking. Whilst this will address our cost concerns we have had little assurance on their ability to make the step change in service improvement required to put the quality of their delivery into an acceptable position. Whilst SSD have produced a strategy for service improvement, service expansion and service externalisation but they are not currently planning to externalise the service before 2011/2012.

## **Annex 1**

### **Strategic Issues Briefing**

#### **1. Climate Change Bill**

The Bill team are aiming to gain Royal Assent for the Bill by the end of November 2008, and the current Bill team remain intact and currently within Defra. The Climate Change Bill now includes all greenhouse gases, which means that all Natural England's objectives for the Bill will have been met. Reductions in these emissions are best tackled through better land management practices, not through changes to the national energy mix. Defra acknowledge the centrality of land management practice in this element of mitigation and the potential for domestic offsetting schemes to fund landscape scale restoration and adaptation. Beyond this, the Bill is unlikely to change significantly at this relatively late stage, although it is possible that in the light of the new Department, Government may try to resist calls to strengthen the Adaptation Sub-Committee and may try to refocus Parliament's mind on the mitigation aspects of the Bill, though this would be met with substantial opposition from all sides of the House.

#### **2. Planning Bill**

Following the Third Reading in the Lords on 18 November the Bill is expected to receive Royal Assent before the end of the current session of Parliament. New amendments have been laid in Parliament designed to strengthen the scrutiny of National Policy Statements by the House of Lords.

Regional Plans will now have to indicate how they will mitigate and adapt to climate change and Government will have to explain how this will be achieved in Parliament. We welcome this amendment.

Government has also confirmed that the proposed Infrastructure Planning Commission will be able to allow cross-examination of witnesses where appropriate. We are continuing to influence the preparation of National Policy Statements and are engaging in the arrangements to set up the Infrastructure Planning Commission.

#### **3. Uplands Entry Level Stewardship Scheme**

The uplands have high landscape, biodiversity and cultural value, and are also important water and carbon capture resources. But their agricultural value is low and the farming that supports the landscape is not viable without support. The current support, Hill Farm Allowance (HFA), will be phased out in 2010 to be replaced by Uplands Entry Level Stewardship (UELS) which offers a similar total level of support to HFA (£24m per year at 80% take-up) in exchange for environmental benefits. There is concern in parts of the uplands farming community that UELS will not provide the support that HFA has. Overall, UELS funding should be similar to HFA, but will require environmentally beneficial land management. Natural England believes that environmental benefits achievable in the uplands can justify support significantly *above* these levels. To provide this additional support, we will promote and advise on UELS to maximise take-up, include dairy farmers who were not eligible for HFA and provide substantial higher level support targeted through HLS.

#### **4. Set-Aside**

Natural England and the Rural Payments Agency have been working closely to fulfil the Secretary of State's instruction to work up 'practicable' options for implementing the policy proposal to mitigate for the environmental impacts of the ending of set-aside by a combination of a new cross compliance requirement for a percentage of cultivated land to be in environmental management with a range of top-up options for this land, made available through ELS. The Secretary of State has asked that the report cover key issues and risks, mitigation and management measures, resource implications and timings. We will submit a joint report to Defra in late November.

#### **5. The Queen's speech.**

This is not available until 3 December, after Board papers are issued. The Chief Executive will provide a verbal update at the meeting.