

Natural England Board



Meeting: 15
Date: 11 February 2009

Paper No: **NEB PU15 03**

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, our financial performance and retained Board approvals.

2. Recommendations

2.1. It is recommended that the Board:

- advises on our current strategic issues;
- considers our delivery performance against our Corporate Plan in quarter 3 of 2008/09;
- considers our financial position as at December 2008 and forecast for 2008/09; and
- notes that approval was given by the Chair on 22 December 2008, under delegation from the Board to agree Natural England taking over the control and management of the Genesis system via a licence from Defra.

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 current strategic issues at the meeting.

3.2. Delivery on our Corporate Plan

3.2.1. A summary of our overall performance to the end of December is provided in the balanced scorecard attached in Annex 2. This report is supported by our use of the Corporate Performance Management System to evidence our performance.

3.2.2. At the third quarter review of our 35 targets, 1 was red, 4 were amber red, 9 were amber green and 21 were green. Currently 86% of our targets are green/ amber green. Overall, we are scheduled to deliver on 89% of our

targets by the end of the financial year, up from 74% forecast in the quarter 2 review. The table below details the results by strategic outcome and for Distinctive Public Body (DPB).

	Red	Amber/Red	Amber/ Green	Green
Outcome 1	1	1	1	3
Outcome 2	0	0	1	4
Outcome 3	0	1	3	2
Outcome 4	0	0	1	5
DPB Creating Environmental Leadership	0	1	0	3
DPB Delivering our Business	0	0	1	3
DPB Building Capability	0	1	2	1
Q3 Totals	1	4	9	21
Q3 %	3%	11%	26%	60%
Q2 Totals	0	6	11	18
Q2 %	0%	17%	32%	51%

Delivery on Outcome 1

- 3.2.3. We making good progress with SSSI delivery. At the quarter three point 85.3% of area meeting target. We are forecasting 88.2% by year end, 0.8% short of the target area to deliver 89% in favourable or recovering condition. The outlook overall remains amber/red in view of this slippage and 1% of this delivery is seen to be very high risk and may slip into the first quarter of 2009/10. Initial planning work undertaken for 2009/10, indicates that the 93% milestone is challenging but still achievable. We are on track to deliver c3,600 condition assessments by year end.
- 3.2.4. We have made significant improvement in delivery of BAP habitat target, 37,600ha of relevant priority BAP habitats have now been brought into HLS - 73% of the 51,000ha target, but continuing effort needs to be maintained but there remains dependency on classic scheme renewals; uptake of ELS and HLS with biodiversity options. We have now delivered 2,761ha of farmland bird options against our target of 4,147ha. Additional resource is in place to help establish the new biodiversity integration groups in support of delivery of England Biodiversity Strategy. This target has moved from amber/red in quarter 2 to green.
- 3.2.5. We have rebalanced resources to improve delivery of our new SAC and SPA programme. The draft plan to deliver the target for a network of Marine Protected Areas by 2011 is now at amber/green and amber/green in outlook for the rest of the year.
- 3.2.6. Delivery of our protected areas work is currently rated at red due to delay in signing off national agreement with NAAONB . However, the final quarter of 08-09 will see confirmation of grant letters with AONBs for 2009-10, in advance of the detailed negotiations on each Memorandum of Agreement (MoA). The task of getting agreement on MoAs is expected to be easier, now that a formal contract between each AONB and Natural England is not required and the national agreement is agreed. The outlook for this target is

amber/red as there is a risk that a small number of the 36 AONB partnership agreements will not be completed by the March deadline.

Delivery on Outcome 2

- 3.2.7. Quarter 3 performance for all Outcome 2 targets is green, except for our NNR target, which is now amber green, a slight improvement on last quarter. 4 NNRs are proceeding as potential 'champion' NNRs - Lindisfarne, Humberhead Peatland, Holkham and Shapwick Heath and we are currently developing business plans to identify the investment and third party contributions required. All targets for Outcome 2 have an outlook to the end of the year of green or amber/green.

Delivery on Outcome 3

- 3.2.8 All the targets are green or amber/green currently and forecast outlook with the exception of one target: securing good environmental land management. This is due to lower than expected renewals of classic schemes and uptake of HLS and ELS which has impacted on achievement of Utilisable Agricultural Area under agri-environment schemes – currently 64.8% against 70% target by March 2011

Delivery on Outcome 4

- 3.2.9. All of the targets under Outcome 4 are on track.

Delivery on Distinctive Public Body

- 3.2.10. All of the targets in Creating Environmental Leadership were at amber/green or green at the end of December with the exception of the target that our people understand Natural England's purpose and policies We are at risk of missing 08/09 milestones as the September 2008 staff survey results revealed:
- 60 % staff are confident in advocating Natural England's core purpose to our stakeholders (08/09 milestone is 75%).
 - 32 % staff are familiar with Natural England's top five policy priorities (milestone is 50%).

We have launched an internal policy awareness campaign with a series of electronic postcards sent to all staff outlining the key messages for each policy. We are piloting further advocacy training and written English training in quarter 4. We will also publish a new advocacy pack aimed at an audience requiring general awareness rather than policy expertise.

- 3.2.11. All of the targets in Delivering our Business are on track. The sustainability target was amber/red at quarter 2 because the in-year measure of our progress on this target was not available. However we are now forecasting to achieve 20% carbon reduction against the 10% target for 2008/9.

- 3.2.13. All four targets in Building Capability have an outlook of amber/green or green for the end of year although one target developing skills is currently amber red. We have achieved the milestone target of 40% of staff reporting that their performance has improved as a result of the skills they have developed from feedback on the September staff survey. However the milestone that 90% of new people have attended the introduction to environment leadership

programme has not been achieved (currently at 70%) and three more induction sessions have been arranged. A Technical Development Framework has been produced and we have recruited a specialist to take this forward.

3.2.14. At the end of Quarter 3, four priority targets were identified as needing significant focus and are being reported on monthly

- Protected landscapes;
- SSSI;
- Secure good environmental management across the landscape;
- Our people understand Natural England's purpose and policies.

3.3. Corporate Plan 2009 to 2012

3.3.1. The Corporate Plan for 2009 to 2012 has been drafted and comments are being sought internally and from the Board.

3.3.2. We received Defra's priorities for the corporate plan in October and have held two workshops with their policy leads in December. The current draft of the Corporate Plan was sent to Defra and Stakeholders on 6th February for consultation.

3.3.3. The final Corporate Plan and budget will be circulated to all Board members following external consultation for comments and we plan to arrange a Board sub group meeting at the end of February / early March to review the Corporate Plan and discuss any remaining budget issues. Comments will be summarised so that they can be reviewed by the Acting Chair when the Corporate Plan is signed off in early March. Ministerial sign off is then planned before 31 March 2009.

3.4. Financial Position as at 31 December 2008

3.4.1. Annex 3 sets out the financial performance for the first nine months to the end of December. Overall we are reporting a net revenue spend of £145.4m against a profiled budget of £147.1m resulting in an underspend of £1.6m (1%) which is within agreed tolerances. Our budget profile is always weighted to the second half of the year. In order to reduce the risk of any underspend we have challenged each team and all of the programme expenditure during the Quarter 3 performance reviews to ensure plans are in place to deliver budgeted spend by March. At this stage of the year we have spent 64% of our revenue budget compared with 75% that could be expected if the budget was evenly profiled.

3.4.2. Our cumulative capital spend amounts to £1.8m against a profiled budget of £1.6m. This small overspend is not a cause for concern as we have a fully allocated capital programme which is still on target to spend. The total net revenue amount committed and spent after nine months amounts to £208m (this figure includes salary costs) which is 92% of the annual budget. We are forecasting to be on target and meet our Grant in Aid budget.

3.5 RDPE performance as at January 2009

3.5.1. Our RDPE performance for 2008/09 spend against commitments already made shows us to be 0.5% ahead of our equivalent performance in 2007/08, and 79% of the planned budget has already been spent by 16 January 2009. As previously reported we have contacted all Countryside Stewardship Scheme and Environment Sensitive Area agreement holders to encourage capital spend in year. This has proved very successful and we have now overcommitted the budget by 2.5% including the additional capital works. In previous years only 95% of the commitment shown on the system has been spent.

3.5.2. We are £11m (6.8%) of UK Exchequer budget 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 improve the underlying position for 2009/10. We have previously briefed Board members on the promotional and targeting activity we have been progressing to encourage take up of Schemes.

3.5. Transfer of Genesis to Natural England

3.5.1. The Board is asked to note that approval was given by the Chair on 22 December 2008, under delegation from the Board to agree Natural England taking over the control and management of the Genesis system via a licence from Defra. A supporting briefing is attached at Annex 4.

3.6 Scheme of Delegation

3.6.1 On vesting, Natural England adopted Financial and Non – Financial Schemes of Delegation. These have been reviewed and changes were approved by the Chief Executive in November 2008. Understanding of the Scheme has been aided by the development of extensive written guidance. A staff group has been established to review, on a regular basis, future proposals for changes in the light of operational or legislative need. There were no proposed changes to authorities retained by the Board.

Annex 1

Strategic Issues Briefing

1. Set aside

Following the High Level Set-aside Group meeting in early January, Natural England has assisted Defra in answering the questions raised about the proposed set-aside mitigation package XC1. This would require farmers to have a small percentage of their cultivated land in environmental management, with additional incentives available in the form of 'top up' Entry Level Stewardship (ELS) options for those prepared to go beyond the minimum management standards. The Natural England project team has also continued to refine the practical details of the package, working closely with NFU on a 'without prejudice' basis.

Set-aside mitigation has generated considerable adverse comment in the farming press. It remains Natural England's view that ELS and XC1 could work together advantageously for most farmers. They will need advice and support, and plans are being developed to provide that. We are endeavouring to get this message across in our external communications.

A further meeting of the High Level Set-aside Group took place on 28th January, with much of the discussion centred around an alternative 'voluntary initiative' that has been proposed by NFU and CLA. This has been accompanied by a welcome recognition that some action may be needed to address the environmental effects of ending of set-aside. Natural England is evaluating this proposal, but it is difficult to see how this initiative could generate the necessary amount or the widespread distribution of environmental management.

At the time of writing, the Secretary of State had yet to take a decision on the options for set-aside mitigation that should be subject to a public consultation exercise. Natural England has explained the urgency of such a decision if the option of effective action in 2010 is to be kept open.

2. Character Area Reports

Natural England is currently finalising its Character Area Reports and aims to publish them within the next few months. These pilot reports focus on the impact of climate change in four areas of England. Next year, we will undertake similar research in four other character areas and also test the approach at a regional scale. This work will inform climate change risk assessment and adaptation strategies that flow from the Climate Change Act.

3. Marine and Coastal Access bill

The Marine and Coastal Access Bill was introduced into the House of Lords on the 4th of December, and is currently still in the Committee. The Bill provides a once in a generation opportunity to put in place legislation to safeguard our marine environment and secure a better future for England's seas.

Natural England welcomed the introduction of the Bill, but we are proposing that it be appropriately strengthened so that Government's marine vision is delivered through a world-class piece of legislation. Key issues for Natural England are the designation of

Marine Conservation Zones (MCZs) and the role of the Marine Management Organisation (MMO).

Natural England continues to work closely with Defra on the Bill and it is anticipated the Bill will enter the House of Commons in April this year.

The key measures Natural England is seeking in the Bill are:

- A duty on the Marine Management Organisation (MMO) and Inshore Fisheries and Conservation Authorities (IFCAs):
 - a. to further the conservation of marine and coastal flora and fauna; and
 - b. to discharge their functions in a way that contributes to the achievement of sustainable development.These duties should be based on the principle that if there is a irreconcilable conflict between the statutory purposes of the organisations the environment should come first. **(Clauses 2 & 149)**
- A duty on Planning Authorities to undertake planning for all UK marine waters covered by the Bill.
- That the duty to designate MCZs falls to Natural England.
- A duty on the appropriate body to carry out the statutory consultation on proposed MCZs within a defined time period.
- Strengthening of the offence of intentionally damaging a MCZ to include reckless damage and disturbance and providing Natural England with a power to carry out enforcement of this offence. Damage cause by sea fishing should not be excluded from the offence.
- That Natural England remains solely responsible for the notification and confirmation of SSSIs and the declaration of NNRs whether or not they include sub tidal areas.

4. Local Democracy, Economic Development and Construction Bill

The Bill proposes how regional strategy and policy will be made and delivered in future years and Natural England believes that the current provisions of the Bill to secure natural environment outcomes need to be strengthened:

- Achieving sustainable development as a primary aim of the Bill, rather than something to which regional authorities have to 'contribute'.
- Sustainable economic growth clearly defined in the Bill in accordance with principles in the UK Government's Sustainable Development Strategy and be the central purpose of both Regional Strategies and supporting delivery mechanisms.
- The process for agreeing Regional Strategies to be informed by the best possible environmental advice and knowledge and as the Government's environmental advisors, Natural England and the Environment Agency should have a statutory role from the outset.

5. Public Accounts Committee hearing on National Audit Office VFM SSSI report;

Following publication of the NAO's SSSI delivery report in November 2008, we will give evidence to the Public Accounts Committee on Monday 9 February. The Chief Executive will update the Board on issues emerging from the session.

6. Performance Review with Secretary of State

The Acting Chair and Chief Executive will attend a six monthly Performance Review with the Secretary of State on 4 February. A verbal update will be given to the Board on the outcomes from the meeting. The topics for discussion are the performance of Natural England in the current Financial Year, Marine Bill and its implementation, and delivery of Environmental Stewardship.