

NATURAL ENGLAND BOARD



Meeting 3 **21 February 2007**

Paper No: **NEB P07 02**

Title: **Chief Executive Report**
Sponsor: **Dr Helen Phillips, Chief Executive**

1. Purpose

- 1.1 The purpose of this paper is to up date the Board on Natural England's strategic delivery and financial performance

2. Recommendations

- 2.1 It is recommended that the Board:
1. Notes the summary of the current strategic issues;
 2. Notes our performance of delivery against our Strategic Direction;
 3. Notes our assessment of the current financial position for Natural England and proposals for the management of the 2006/7 budget.

3. Report

3.1 Strategic Issues

- 3.1.1. The Chief Executive will provide a verbal update on the following strategic issues:
- a. Meeting with the Secretary of State to discuss Land Use Policy
 - b. Development of the Rural Development Programme for England
 - c. Progress on the development of the MOU with the Environment Agency and the Forestry Commission
 - d. Progress on Campaigns
 - e. Employee relations
 - f. Heath and Safety Policy being implemented across the organisation
 - g. Continued monitoring of Natural England's Strategic Risk (Annex 1)

3.2 Delivery on our Strategic Direction

- 3.2.1 The overall position is that Natural England's delivery is satisfactory. The outlook is also satisfactory (Annex 2).
- 3.2.2 *Outcome 1*
Nine out of ten targets on track or complete. However the SSSI target will not be met. Agri- environment payments are progressing well with 96% of classic scheme payments successfully delivered before Christmas, one month before the deadline.
- 3.2.3 *Outcome 2*
Progress is being made across all thirteen targets. However our plans to expand the walk the way to health initiative have been dealt a blow by the rejection of our Green Exercise BIG lottery bid. Contingency plans are now

being implemented. High priorities have been the work on coastal access and finalising preparations for the management of the BIG Lottery funding. Lack of baseline data on current level of volunteering is a current challenge.

3.2.4 *Outcome 3*

Progress on the six targets to promote the sustainable use of the natural environment continues to be satisfactory overall, however there remain issues associated with agreeing a way forward with Port Authorities on habitat creation.

3.2.5 *Outcome 4*

Work is progressing well across eight out of nine targets. Whilst we continue to respond to planning proposals for developing clean energy such as wind farms, we have yet to establish an active facilitation role for energy developments. Other work on climate change continues to progress well.

3.2.6 *Outcome 5*

From the 1st April Natural England will be trialing a new balanced scorecard reporting system covering our delivery on our Strategic Direction, along with reporting on 12 other performance indicators. (Annex 3)

Corporate plan and Delivery Agreement targets have been reviewed to reflect the comments from the Board Outcome Groups, Stakeholders and Defra Policy Leads. Delivery Agreements have been analysed to assess the pressure points on resources. Further work is being done to complete the overall budget picture to enable hard choices to be made on prioritisation, predominately in the areas of Areas of Outstanding Natural Beauty AONBs, Discovering Lost Ways Project, Farm Advice and Demonstration, IT priorities, National Trails, Science and evidence programmes and Estates rationalisation. These choices will be reflected in the draft Corporate Plan which will be completed by early March and ready for Board comment. Following Board Member input it is proposed that the Chair approve the final Plan to be sent to the Minister before the end of March 2007.

3.3 Financial position at 31 December 2006

3.3.1 Budget Position 2006/7 and 2007/8

- a. As Board members will recall the moratorium on programme spend for 2006/7 was lifted in October following favourable negotiations on budget pressures of over £30m.
- b. We received a Grant-in-Aid letter from the Secretary of State on 20 December confirming Natural England's core budget position for 2007/8. In the light of the current Defra financial situation, it was a good settlement reinstating the £12.9m cut which was clawed back during this year.
- c. Natural England also inherited a commitment to make £6.5m of efficiency savings in 2007/8 and this has been deducted from the settlement. The Chair and the Chief Executive met with Barry Gardiner, Minister for Biodiversity, Landscape and Rural Affairs on 16 January to discuss Natural England's contribution to Defra's Natural Resource Protection ZBR efficiency savings over the period 2008/9 to 2010/1. Discussions are ongoing as the ZBR has to be agreed with Treasury.

3.3.2 Financial Position at 31 December 2006

- a. Annex 2 sets out a summary financial statement for the consolidated position for Natural England for the nine months to 31 December, including the founding body's expenditure. The September figures have been audited by the National Audit Office and they have confirmed that no management points will be raised in this respect. We are unable to provide January figures for this meeting since the accounting system closes for January after the deadline for preparing the report. A verbal update will be given at the meeting if there is anything of significance arising between this written report and the meeting.
- b. The forecast outturn for the year is for a small underspend considering the difficulties faced in year of c£2m. This variance on the forecast equates to less than 1% and is due to underspend on programme costs related to ring fenced Defra funds. We are forecasting to spend Natural England's core Grant In Aid budget The underspend on ring fenced Defra funds mainly relates to Catchment Sensitive Farming delivery initiative which was affected by the Defra spending moratorium, delays in staff recruitment and getting the advice framework contracts in place. This underspend needs to be returned to Defra to offset a forecast £60m overspend, and as such was not available for reallocation
- c. At 31 December there remained £37.8m (46%) of the programme budget unspent, of which £30.2m (42%) was committed and £7.6m (9%) still uncommitted. Our spend to date is in a reasonable position when you factor the 4 month moratorium on spend, the need for all staff to get up to speed on their new roles combined with a new financial system and processes which have inevitably slowed ordering and payments as staff understand new ways of working in Defra Shared Services Directorate & Natural England.
 - There is an expectation that much of the work currently being contracted will be completed in March but there are risks that any slippage will lead to an underspend. We will continue to monitor budgets closely in order to maximise use of resources for programme spend and achievement of Grant in Aid. We will look to bring forward planned expenditure from next financial year to ensure a full spend.
 - Natural England is continuing to work with Defra's Shared Services Directorate to improve the service Natural England receives. However, it is hoped that a comprehensive Service Level Agreement will be in place by the end of the financial year.