

Natural England Board

Meeting 7
10 October 2007



Paper No: **NEB P07 24**

Title: **Chief Executive's report**

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

1. Purpose

1.1 The purpose of this paper is to update the Board on Natural England's strategic delivery, financial performance and where approval was given by the Chair under delegated authority.

2. Recommendations

2.1 It is recommended that the Board:

- Notes the summary of the current strategic issues;
- Notes our performance of delivery against our Strategic Direction;
- Notes the financial position for Natural England as at the end of August and forecast for 2007/8;
- Notes that approval was given by the Chair on 8 August 2007, under delegation from the Board, to sign the Part 8 Amending Agreement.

3. Report

3.1 Strategic Issues

3.1.1. The Chief Executive will provide a verbal update on the following strategic issues:

- Latest on set aside (Annex 1)
- Lesson's learnt from foot and mouth
- Pay remit
- CSR and Budget issues
- Climate Change Bill
- Genesis

3.2 Delivery on our Strategic Direction

3.2.1. Key achievements for the year to date include:

- Completion of Stage 1 improvements in targeting for Environmental Stewardship;

- Reorganisation of our agri-environment scheme processing to ensure there is no repeat of last year's problems with classic scheme delivery;
- Natural England's response to the foot and mouth outbreak;
- Development of a roadmap for CAP Reform.

3.2.2. A range of achievements and delivery issues across all outcomes were identified at the first quarter review. A summary of our performance to the end of August against our Strategic Direction is outlined below. Since the end of August we have been reviewing with each Target Executive where we expect to be at the end of Q2 and progressively improving delivery plans for all targets.

3.2.3. **Outcome 1**

Our delivery on outcome one is not on track, due to remaining behind on the milestone path to the SSSI PSA target. We are however forecasting a slight catch up on the under delivery from 2006/07. We now anticipate reaching 81% against the 83% milestone by end 2007/08. A concerted programme of activity is underway to tackle the challenge.

3.2.4. **Outcome 2**

Delivery on outcome two is largely on track with progress made across the majority of targets. Open access, Walking our Way to Health and coastal access are all making good progress.

3.2.5. **Outcome 3**

Delivery on outcome three is largely on track with the exception of Environmental Stewardship where uptake is behind schedule. Our projections show 57% uptake by the end of December (against a target of 60%). Although there has been a 50% increase in uptake over the last three months, ELS will be actively promoted at a regional level in target areas. We will also ensure that we are able to direct funding to additional HLS agreements in the case of any under spend.

3.2.6. **Outcome 4**

Delivery on outcome four is largely on track, with progress made on the development of a Roadmap for CAP Reform and the Review of Environmental Stewardship.

3.2.7. **A distinctive public body**

People and Innovation

Our work to unlock the passion and energy of our staff is on track through the strategic recruitment of a number of new leaders, phase two of the performance management training and our work on the transition programme.

Positioning and Profile

Our work to position Natural England and raise its profile is not on track. Strategic plans on future stakeholder engagement are not in place and

stakeholder management remains reactive. However engagement on climate change, set-aside and our Strategic Direction Refresh have been well received.

Business performance

Our business performance is not on track, although our financial performance is good. Key areas of concern is the adequacy of planning to deliver across our corporate plan targets and the performance of Defra Shared Services and IBM

The balanced scorecard at Annex 2 provides details of our performance up to the end of August.

3.3 Financial position at 31 August 2007 & Forecast for 2007/8

- 3.3.1 The Board will be aware that the Annual Report and Accounts were not laid in Parliament before the recess. This matter was raised with the NAO at the Audit Committee on 10 September. The Chief Executive as Accounting Officer and the Audit Committee were clear that they wanted the accounts to be laid on the next available date, 8 October. A verbal update will be given at the Board meeting. It is anticipated that the 2006/7 annual report and accounts will be unqualified. The draft management letter from the NAO has no major control issues which is an excellent performance in our first year of operation.
- 3.3.2 Annex 3 sets out the financial performance for the first five months to the end of August. This shows that Natural England is only £2.8m (4%) behind its profiled budget spend at this stage with £177.4m (84%) of the annual budget committed. This represents good performance. To put the spend to date in context £64.7m (31%) of the budget has been actually spent at the end of August against a profiled budget of £67.5m (35%). An even profiled spend based on five months to August would be 41%.
- 3.3.3 Natural England has secured a Big Lottery grant of up to £25m for initiatives for communities to access the natural environment. In addition over £0.6m extra grant in aid has been allocated from Defra for new pressures relating to revisions to Habitats Regulations/Deer Act, Energy Crops Scheme and for Local Biodiversity Recording work.
- 3.3.4 However, Natural England faces a number of in year pressures to manage within its 2007/08 budget by reprioritising the remaining spend. A mid year review has been commissioned. Pressures include:-
- Implementation costs of ISS, External Affairs and Corporate Services reviews;
 - The costs of rationalising our estates;
 - Recent flooding which has added cost pressures up to £1m. Of this £0.4m relates to the Wyre forest where infrastructure repairs will have to be undertaken this year;
 - Transition programme implementation costs
- 3.3.5 The performance of the SSD remains unsatisfactory. This causes issues with budget management, reporting and customer service. In August, a Service level Agreement was signed which gives a baseline of performance. On its

own the SLA is of little value to Natural England without an accompanying service improvement plan and service recovery plan. The Chief Executive of SSD did not convince the Audit Committee on 10 September that his team could deliver these plans and the Audit Committee has requested that we explore options for future delivery.

3.4 **Scheme of Delegation**

- 3.4.1 The chairman approved under sub delegation from the Board amendments to the Defra part 8 agreement relating to Farm Woodland Schemes, Farm Woodland Premium Schemes and changes to wildlife licensing under the Habitats Directive applicable from 21 August. Full details are set out in Annex 4.