

Natural England Board



Meeting: 21
Date: 27 July 2010

Paper No: **NEB PU21 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, our financial performance and the impact of the £7.4 million in year cuts.

2. Recommendations

2.1. It is recommended that the Board:

- advises on our current strategic issues;
- considers our delivery performance against our Corporate Plan targets for 2010/11 and comments on "new look" performance report and scorecard;
- notes financial position as at 30 June;
- notes the impact of the £7.4 million of in-year cuts on our 2010 – 11 Corporate Plan.

3. Report

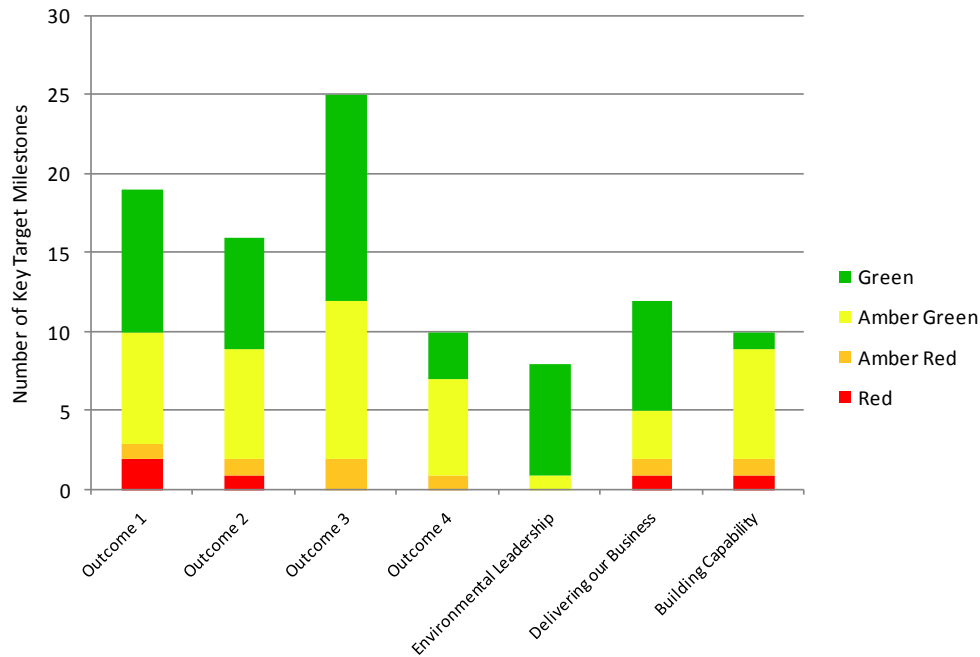
3.1. Strategic Issues

3.1.1. Annex 1 provides a summary of the strategic issues listed below:

- Arms Length Bodies Review
- Spending Review 2010
- National Audit Office Report into Diffuse Pollution
- Environmental Leadership Delivery Plan
- Review of England's Wildlife and Ecological Network
- Proposed Changes to operation of Agri-environment Schemes
- Marine Natura 2000 Sites
- Update on the white tailed eagles

3.2. Delivery on our Corporate Plan

- 3.2.1. This report is supported by our use of the Corporate Performance Management System to evidence our performance against the range of targets and indicators agreed with Defra and approved by Ministers as part of the annual Corporate Plan setting process. A summary of our performance against a suite of key performance indicators in the first quarter of 2010/11 is provided in our 'new look' scorecard attached in Annex 2.
- 3.2.2 The overall position at the end of quarter one is of good performance against profile across our four outcomes and our work to be an efficient and effective public body. There are exceptions in a handful of our key indicators but the reasons for this are understood.
- 3.2.3 In May, the Government introduced expenditure controls to which we (and the rest of the public sector) are subject to. These controls have included a freeze on all new consultancy contracts, advertising and marketing spend and recruitment. It took a month to receive the guidance and then to implement these controls. Provision is made for exemptions to some of these measures but the process around such exemptions is very demanding and we only intend to seek exemption in a limited number of business critical instances. Consequently, the application of these controls will impact on future delivery. We are considering for each contract/project subject to these controls whether to halt the spend, redirect staff from lower priority work to deliver high priority Corporate Plan targets or seek exemptions through Defra officials and Secretary of State. The restrictions on advertising and marketing will also impact on the up-take and participation in some of our schemes and programmes which will reduce the scale of benefits and outcomes we could otherwise have expected. All this, coupled with the in-year cuts of £7.4 million in our Grant in Aid and uncertainty over the new Governments priorities for us has influenced the outlook for a number of targets so that the assessment is 'amber red or red'. In some areas this will mean that we will have to revise our performance targets.
- 3.2.4 In quarter one across the full range of Key Target Milestones in our Corporate Plan, 5 per cent were assessed as 'red' (<80% of expected performance); 7 per cent were 'amber red' (<90% of expected performance); 41 per cent were 'amber green' (<99% of expected performance) and 47 per cent were 'green' (at 100% or over).



3.2.5 The indicators assessed as 'red' are our Key Target Milestones for:

- a) Farmland Birds;
- b) SSSI Condition Assessments;
- c) Managers with IOSH 'managing safely' training; and
- d) Our overall carbon reduction.

3.2.6 The indicators assessed as 'amber red' are our Key Target Milestones for:

- a) Capacity building programme with volunteers;
- b) Increased uptake of Marine Stewardship Council certification
- c) Work on ecosystems services pilots; and
- d) Rise in customer familiarity and satisfaction.

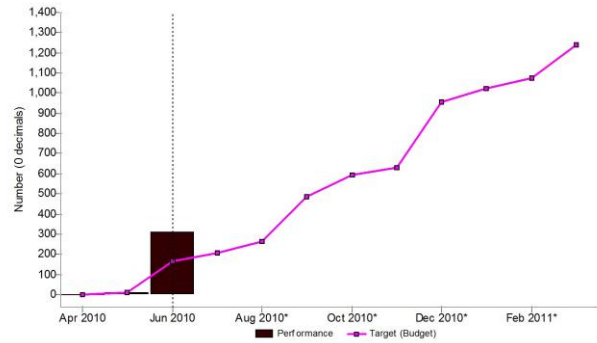
3.2.7 More detailed insight into these and some of the other indicators that make up our new look scorecard, are described below under each outcome heading.

3.3 Delivery on Outcome 1

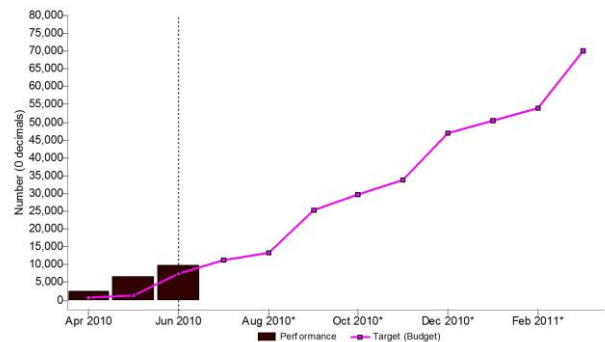
3.3.1 Performance against our key indicators includes the following highlights:

- **Landscape as an integrating framework/National Character Areas** – we have reviewed interim objectives and methodology as planned but the tender to provide information and technical support on Ecosystem Services for each character area was temporarily delayed whilst we assessed compliance with the new controls over expenditure. This is consultancy spend for the specialist skills required and we are considering whether to pursue an exemption. In-year cuts mean we will now only deliver half the 159 area descriptions this year and hence the outlook is 'amber red';
- **AONB Partnership** - Of the 36 Partnerships; 18 agreements now signed. We are working on the remaining agreements but 2 (Quantocks and Mendips) are not progressing due to local authority objections and concern over funding commitments. In year cuts will affect the work of ANOBs and the outlook is 'amber red';

- Creation of 1,000 hectares of new Biodiversity Action Plan habitat –**
 We have so far secured 311 hectares, 145 hectares ahead of profile, 97 hectares secured through the fens 'Wetland Vision' project. However, the in-year cuts to Environmental Stewardship capital funding potentially means less habitat can be secured through Higher Level Stewardship so the outlook is 'amber red';

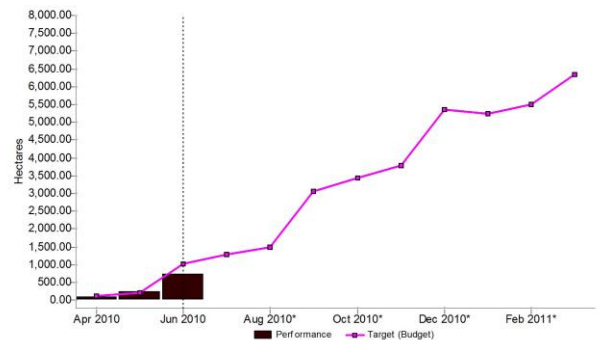


- Maintain 80,000 hectares of Biodiversity Action Plan habitat –**
 So far we have secured 9,821 hectares through the relevant Higher Level Stewardship options - ahead of profile at this time of year compared with previous years. Outlook is 'green';

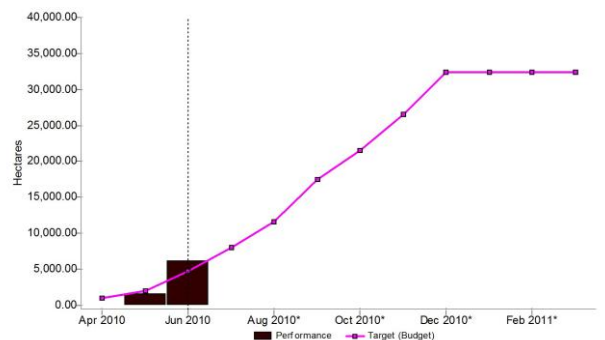


- Recovery plan objectives for Biodiversity Action Plan species – 70 per cent of recovery projects are currently on track against the 80 per cent target.** The hen harrier and white-tailed eagle projects were deferred during quarter one and the short-haired bumblebee reintroduction suffered a setback with the deaths of the captive stock. Commissioning of planned new projects have been delayed pending spending decisions. Outlook is 'amber red';

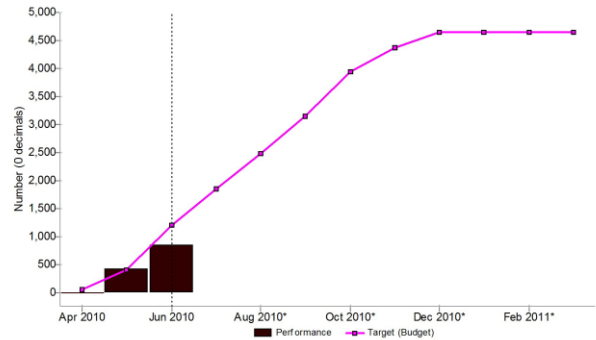
- Farmland bird habitat –** We have so far secured just 745 hectares against a profile of 1,022. This measure depends on promoting farmland bird options under Higher Level Stewardship and a number of regional delivery projects with partners may be affected by current spending controls. Outlook is 'amber red';



- SSSI area in favourable or recovering condition -** The area of SSSI in favourable or recovering condition stands at 93.66 per cent and is ahead of the 93.51 per cent profile which leaves 14,500 hectares to reach the 95 per cent target by December. Some of the most difficult cases remain including complex negotiations on a few remaining upland Higher Level Stewardship agreements and the outlook is 'red';



- **SSSI Condition Assessments** - We have recorded 855 assessments as complete against a profile of 1,204. A further 300 are complete but yet to be recorded. Spending restrictions temporarily delayed letting contracts with specialists to undertake assessments during the key summer period. These can now proceed but any further slippage could be difficult to recover. Outlook is 'amber red'



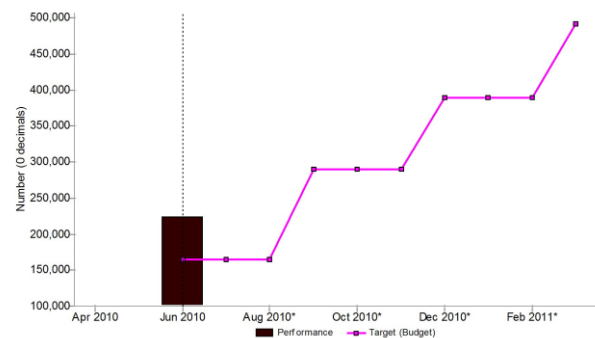
- **Marine Natura 2000 site designation** – we submitted the results of the consultation to Defra on time along with full site recommendations, we completed the impact assessments by the end of the quarter. The outlook for this work is 'green'.

3.3.2 Other issues of note with key target milestones under Outcome One include delays to our work on **monitoring the quality of England's landscape** which is dependent on bought-in professional advice. We will produce a business case so that this spend can be considered for exemption but we do not expect a decision on whether it can go ahead until September.

3.4 Delivery on Outcome 2

3.4.1 Performance against our key indicators includes the following highlights:

- **One Million children Outdoors** 222,403 children participated in the quarter. This included 138,772 visits to education access farms (37 per cent above profile); 10,164 children visited 48 farms supported by Natural England staff on Open Farm Sunday, three times the historical average; 33,600 children from more than 1,100 schools are involved in the Big Wildlife Garden (BWG) of which more than 600 are participating in our BWG School of the Year competition. The total area of wildlife gardens registered on the site exceeds 4,200 hectares. Our Outreach Advisors are now in post and 20,387 children visited our National Nature Reserves over the quarter, 20 per cent over target and a three-fold increase on the same period last year. The



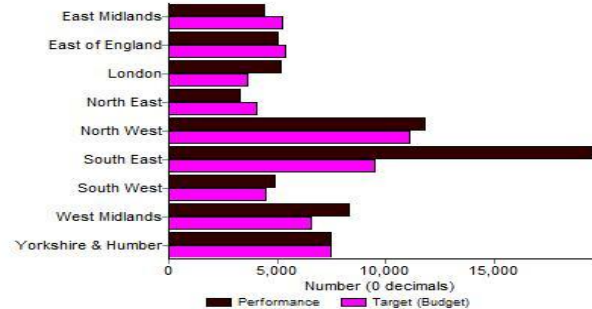
changed political and financial climate means that we need to accelerate the timetable by which we exit a direct delivery role in this programme. We are currently developing an exit strategy focused on the opportunity to make an 'offer' to voluntary sector partners. Given the uncertainties around this transition, plus the impact of new government restrictions on marketing (which catch some of our NNR outreach activities activities and therefore impact on in-year delivery) the outlook for this target is therefore 'red'.

- **10,000 people benefit from 'Outdoors for all'** - work is underway in all regions and so far 4,337 participants recorded are from BME, disabled or deprived areas through the Walking for Health initiative. Our work through Green Infrastructure, Access to Nature and our National Nature Reserves outreach programme are all on course to improve

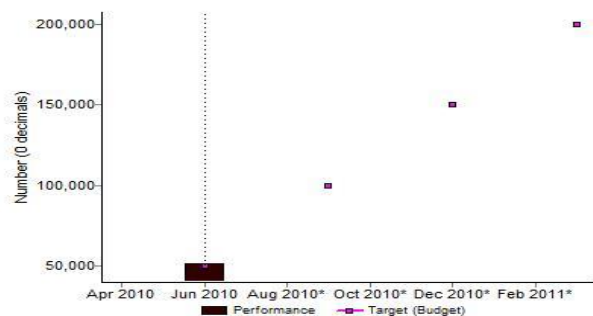
access opportunities for people living in areas of deprivation. Outlook is 'red' due the uncertainty around the focus for our work in this area;

- **88,500 healthy walking participants -**

Regular walker numbers continue to increase with the latest figures showing over 64,000. Of particular note is a major expansion of partnerships in target areas in the South East. The changed political and financial climate means that we need to accelerate the timetable by which we exit a direct delivery role in this area. We are currently developing an exit strategy focused on the opportunity to make an 'offer' to voluntary sector partners. Given the uncertainties around this transition, plus the impact of new government restrictions on marketing (which catch many Walking for Health activities and therefore impact on in-year delivery) the outlook for this target is therefore 'red'.



- **Improved access opportunities for 200,000 people –** Additional funding from the BIG Lottery has increased the amount available to award this year under Access to Nature by over £3 million. In quarter one, we awarded £1.6 million. We also made £447,690 of awards under the Natural Assets programme. Our payment performance index was slightly below target at 95 per cent overall. From the access grant schemes' awards made so far this year we have created potential opportunities for 51,500 more people to get improved access to the natural environment (slightly ahead of profile). However, the outlook is 'amber green' given the uncertainty around the future of the Natural Assets programme which we manage on behalf of Advantage West Midlands, one of the Regional Development Agencies;



- **20 km of coastal access at Weymouth -** Good progress on working with Dorset County Council to deliver stage 1. We have begun stage 2 'walking the course' after some slippage. We have made contact with all statutory partners and formed a working group to advise the project. Current performance for this target is 'amber green' with a 'green outlook'.

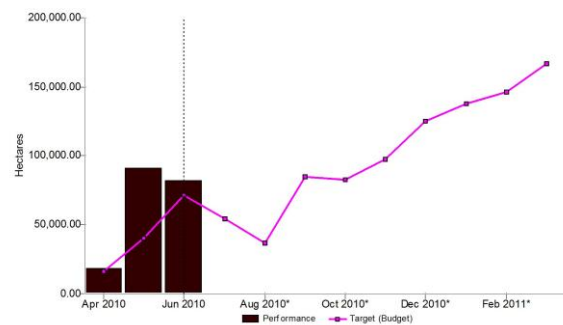
3.4.2 Other issues with key corporate plan target milestones in Outcome Two include delays in letting contract for **Environmental Volunteering Capacity Building** training programme leading to an 'amber red' rating for this measure. Progress with **Countryside Rights of Way Mapping** – the first statutory review of maps of open country - is currently on track but requires additional resource to ensure work can begin on delivery of the five lead areas and our assessment of the outlook is 'amber red'. Although we have made good progress across all five potential **Champion National Nature Reserves**, the worsening financial situation, including the potential loss of Regional Development Agency funding at Lindisfarne, means the outlook is 'amber red'.

3.5 Delivery on Outcome 3

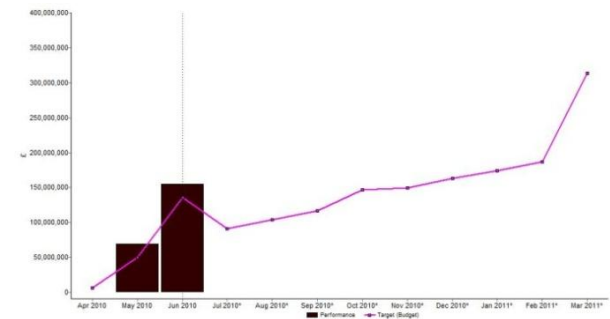
3.5.1 Performance against our key indicators includes the following highlights:

- Sustainable land use outcomes** – For the first time this year we are able to measure outcomes from our engagement in planning and development activity, our land use interventions in the form of Green Infrastructure, Biodiversity Action Plan habitat and linear access provision. We have so far secured through planning obligations, 150 hectares of priority habitat and a 100 hectares of Green Infrastructure. The relatively modest scale of outcome delivery in quarter one was expected and key projects will deliver more towards the back end of the year. The new financial controls on consultancy represent a medium level of risk in relation to target delivery this year. However, combined with staffing restrictions, they make for a greater risk of impact on our ‘pipeline’ for delivery into the following year, hence an outlook of ‘amber red’

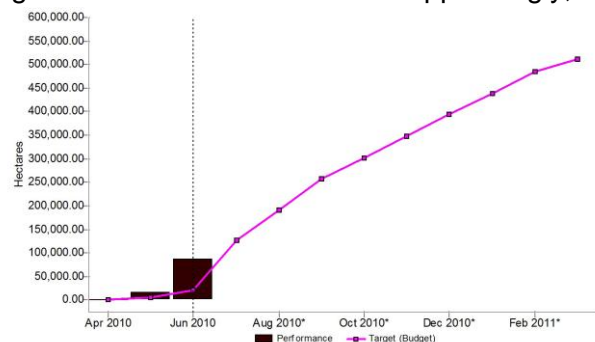
- 70 per cent agricultural area under agri-environment schemes** - We are currently ahead of profile and have delivered 48 per cent of the net increase we need during the year. However, the situation with Entry Level Stewardship renewals is less encouraging and we assess the outlook as ‘amber green’. At the end of June only 39 per cent of the imminent expiries had been renewed and a great deal depends upon progress in July as the first block of old agreements actually expires;



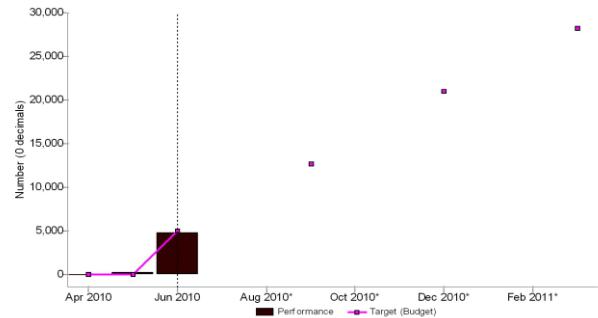
- Spend £403 million on RDPE agri-environment incentives** - We are currently delivering well over profile. We have worked hard in quarter one to ensure we can manage the budget we will now have available and still secure the environmental benefits such as maintaining biodiversity priority habitat and securing the 95 per cent SSSI target. The outlook is ‘green’;



- Secure 505,000 hectares of Uplands Entry Level Scheme agreements** – We have held 84 advisory events attended by 2,733 farmers. By 1 July we had received 1,888 agreements covering 266,465 hectares - 45 per cent of the applications needed to reach the target. We have already processed a significant number of these. Disappointingly, none of the live applications yet covers a Common. It is likely that the ‘Commons Associations’ needed to submit a joint application for several farmers have yet to be formed. We are assisting a few land managers in setting up Commons Associations and will share the lessons learned with other commoners. The outlook is ‘amber green’;



- Manage delivery of 28,000 land management advisory visits** – Overall, 4,835 farmers have so far received advice against a profile of 4,994. However, 84 per cent of this was provided by our own advisers ‘in-house’. Satisfaction rates at ‘in-house’ events are at around 98 per cent. In contrast, the Environmental Stewardship Training and Information Programme (ETIP) delivered just a quarter of its target and around 30-40 per cent of farmers are turning down the offer of advice after having requested it. Although most have already applied for Stewardship renewal this is a lost opportunity to influence options. Looking ahead, restrictions on marketing which is essential to promote Entry Level scheme to farmers and landowners and cuts to the in-house advice budget mean the original target of 28,000 will need to be revisited. Any further budget cuts mean that we will have to look to ETIP for more of the delivery in future and the poor take up will need to be addressed to realise the outcomes which could flow from the successful adoption of the advice provided. The outlook is ‘amber red’;



- Increased uptake of Marine Stewardship Council certification** – Currently assessed as ‘amber red’, primarily due to funding uncertainties. However, our advisors across the country are currently supporting fisheries at different stages in the MSC certification process such as gathering the baseline data (e.g. for the North-East crab and lobster fisheries, and the Menai Strait Mussel fishery); to understand the impacts (e.g. South-West scalloping); to help fisheries progress towards full assessment (e.g. the Wash Cockle and Mussels fisheries) and to appraise those already certified (e.g. the Holderness Sea bass fishery). Outlook is ‘amber red’ as without an MSC outreach officer for England, and funds to support fisheries entering pre-assessment, the opportunities available to us to influence the uptake of MSC will be somewhat diminished. We will however still provide our expert advice, both at a regional level (to ensure those fisheries that do enter the certification process really are making changes to become sustainable) and at a national level (to ensure the standard adopted by MSC is not in any way reduced).

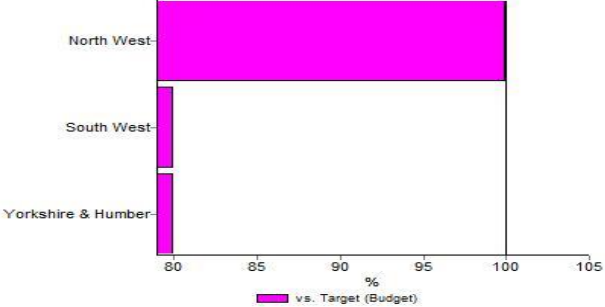
3.5.2 Issues with other key corporate plan target milestones in Outcome Three include **regional planning casework** where 95 per cent has been delivered within statutory timescales (meeting target). Our efforts at capacity building within local authorities aimed at casework reduction continue. We have made good progress with our **renewable energy work** although changes to regional planning structures has delayed or suspended some of our objectives. We have developed our relationship with OFGEM and aim to develop it further to match our successful engagement with OFWAT; Outlook is ‘amber green’.

3.5.3 The in-year reduction of £13 million in the budget for the Rural Development Programme for England will require us to revise our spending targets for **agri-environment delivery** and has reduced the in year capital budget. We are rationing the available resources to priority schemes. We have made a good start to the **England Catchment Sensitive Farming Delivery Initiative capital programme** to address diffuse water pollution. We have processed over 1,300 applications and offered agreement letters worth £7.5 million to 1,062 successful applicants 10 days ahead of the deadline.

3.6 Delivery on Outcome 4

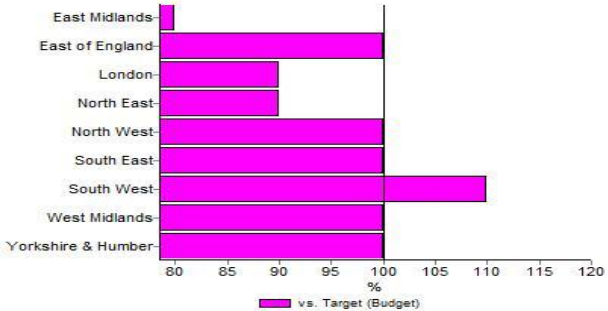
3.6.1 Performance against our key indicators includes the following highlights:

- Eco-systems services pilots –**
 Currently assessed as ‘amber red’ as of the three pilots, only one is fully meeting the targets and deadlines in the project plan. Resource is in place in the other two pilots to get them back on track. The outlook is assessed as ‘amber green’



- Locally specific recommendations to address the challenges of climate change –**
 Our contribution to the development of the national Climate Change Risk Assessment has been highly valued by Defra and we are encouraged by the extent to which our advice and the interests of the natural environment are being reflected in the developing methodology. The regional influencing work is well established with regional leads leading the advocacy of our climate change messages with key partners. Regional leads have formed six knowledge hubs to ensure efficient use of our climate change expertise around priority topics. Outlook is ‘amber green’;

- Publish the results from our landscape scale climate change project –** We are making good progress in all regions, but draft reports have not all been completed as planned and overall we are ‘amber green’. We are confident that the content for the reports will be ready in time, but there will need to be good engagement with key local, regional and national stakeholders. Outlook is ‘amber green’.



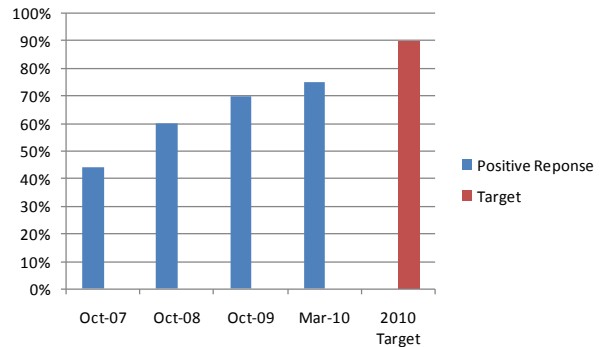
3.6.2 All other key corporate plan target milestones in Outcome Four are on track or assessed as ‘amber green’. The development of a high quality **climate change development programme** for staff is well advanced and on track for a launch in the next quarter. The programme of work **to embed climate change across Natural England’s activities** is progressing well. The development of our other key external product, a report on **the role nature plays in helping tackle climate change** is also on track and we are exploring how we may collaborate with Defra in maximising its impact. This is already showing benefits, for example, supporting the inclusion of climate change adaptation and mitigation in the development of proposals for CAP post-2013.

3.7 Delivery on Distinctive Public Body

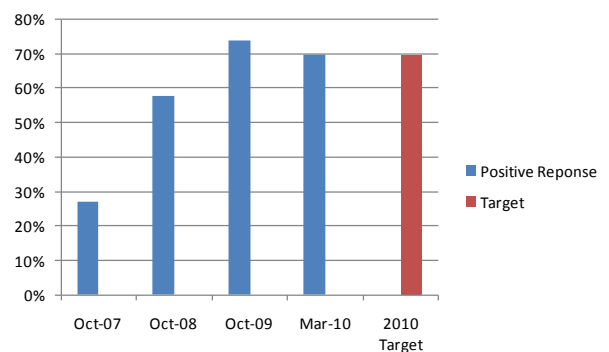
3.7.1 Performance against our key indicators includes the following highlights:

- **90 per cent feel their team is well managed** – We will not measure this again until quarter four but our leaders and managers are working hard to keep their teams informed of the changes faced by the organisation.

The established expectation is that information will be shared fully and regularly. We are conducting a communications survey supported by mystery shopper telephone calls to assess progress and to make sure leaders have the skills they need to convey the messages and to ensure the quality and coherence of the message. The outlook is amber green.

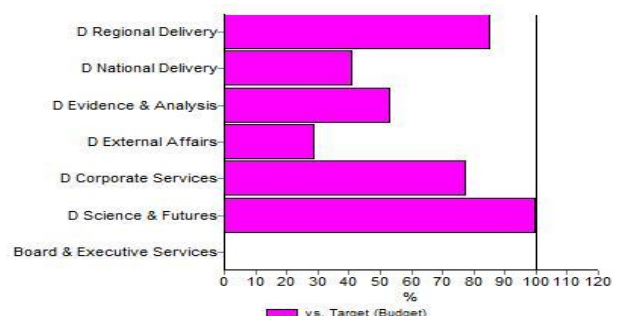


- **70 per cent would recommend Natural England as a good place to work** – This key indicator is a reflection of many of the aspects of the way Natural England operates, the conditions our people work in and the way they are managed and led. We are not due to survey staff until quarter four but the financial constraints and the external recruitment ban have affected our diversity and work experience ambitions. The last round of recruitment included an increased number of people under 25 years of age, with disabilities and who described themselves as Lesbian, Gay, Bisexual, Transgender (LGBT). So we have improved the overall diversity mix but we will not be able to achieve the corporate plan target. Consequently this target is being revised. We have implemented the new 'Fit Notes' (updated sick note process) which will complement our approach to managing sick absence and we have agreed the plan on the introduction of the Single Equality Act. We continue to focus on maintaining positive staff engagement through open and honest communication especially around the known office moves and the future shape of the organisation. The outlook is 'amber red'.



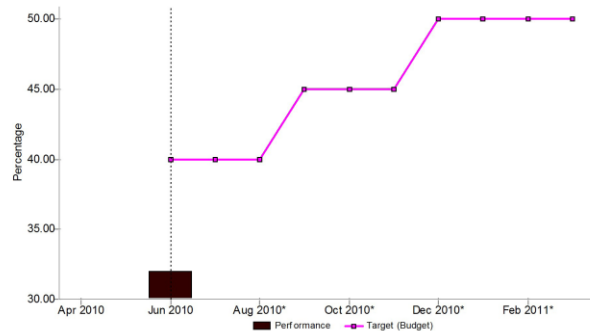
- **50 per cent of people leaders completed the IOSH Managing Safely programme** - This is a key indicator of the wider work to embed a Health and Safety culture across the organisation based on the Health and Safety Executive 'Sensible Risk Agenda'.

We have made progress through the 'Well Being' pilot project and this will help us understand the level of stress within teams using HSE good practice. Achieving 50 per cent of managers attending IOSH Training will be a challenge. Out of a total of 177 people leaders, 32 have been

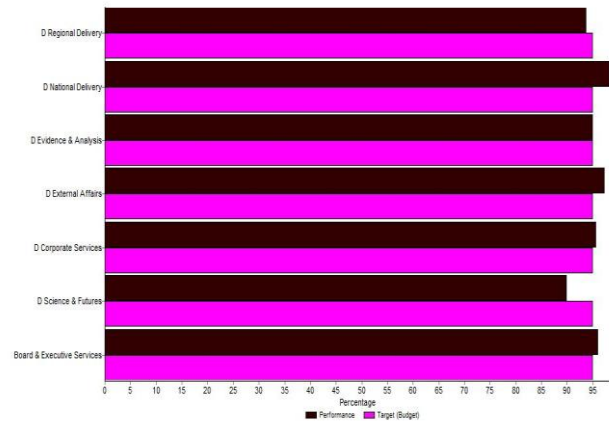


trained in this quarter, 46 have enrolled and 14 have started the 'e-learning' module. We have agreed action to improve the take-up of this key leadership education programme. There is a growing demand for risk assessment training and we have an ongoing focus on improving our investigation of reported incidents and near miss reporting. The outlook is 'amber red' but we anticipate that the actions to be undertaken through the quarter one team review process will improve future performance for this target.

- 50 per cent reduction in our carbon footprint** - overall we have achieved a 31.4 per cent carbon saving (34.6 per cent from estates and 25.2 per cent saving on travel). Although well below profile this is a sector leading performance and demonstrates best practice in this area. Teams are working within their individual travel carbon budgets but further savings from the estate are crucial to our delivery of this target. We are confident that the plans and measures we have identified will deliver us a 50 per cent saving but uncertainty over the timing of estates moves which are dependent on Defra approvals, landlord agreements and four month lead in times for IT infrastructure and telephony put the timing for this in doubt. A delay in even one of the 10 moves planned by the end of December would mean we miss the target. Outlook is 'amber red';



- 95 per cent of cases meet customer service standards** – nearly all teams are reporting achievement of enquiries response standard. For example the enquiries team responded to all 1,603 enquiries within standard; we dealt with 98.6 per cent of all FOI requests (69 out of 70) within deadline and responded to 16 out of 17 national policy consultations within deadlines. We answered 99 per cent of calls via the central operating service within standard (30 seconds) in April and May. Outlook is 'green'.



- Deliver a further £5 million of cash efficiencies** – We have delivered the planned £1.25m savings from our procurement strategy, estates rationalisation and land management performance programme in quarter 1. In addition to this we have implemented a 3% (around £3 million) pay efficiency target on all teams in 2010/11 which is part of the efficiency actions following the in year budget cut of £7.4 million. These efficiencies combined with further quick wins from the Performance and Efficiencies Programme later this year will ensure that this target will be exceeded by year end. Outlook is 'green'.

3.7.2 Issues with other key corporate plan target milestones under our Distinctive Public Body targets include **external revenue** where growth is forecast at £2.5 million which is below our target of £5 million. However, commercial income is a new part of this target and teams and regions are still establishing their baselines. All other key corporate plan target milestones are 'amber green'. In last year's IPSOS Mori **customer satisfaction**

survey we saw an increase in our satisfaction rates to 73 per cent (71 percent when farming customers were included after Defra gave permission for them to be surveyed for the first time). Teams have made a good start in implementing action plans to address the issues raised by the Customer Survey and we are confident of seeing further improvement later this year. Finally we have also established several **efficiency cost indicators** for key work areas as part of our Performance and Efficiency Programme. As yet we have not set specific targets for these indicators but we will continue to track progress throughout the year.

3.8 Financial Position as at 30 June 2010

3.8.1 Annex 3 provides summary financial information and commentary to the end of June. Overall we are reporting a net revenue spend of £52.5 million against a profiled budget of £55.9 million, resulting in an under spend of £3.4 million (6 per cent). Whilst this is slightly outside the normal tolerance range of 5 per cent it is better than the equivalent performance at Q1 last year (9 per cent under spent). The underlying financial performance is extremely good, we have spent 23.7 per cent of our net revenue budget compared with 25 per cent that could be expected if the budget was evenly profiled and we have already committed 76 per cent of this year's budget compared with 72 per cent at quarter one last year. Looking forward, our concern will be that Government spending controls on information and communications technology, marketing, contractors and consultancy slow down spending to a greater extent than assumed in assessing impact of in year cuts which will cause further delivery and financial slippages. We will monitor on a monthly basis and adjust our plans accordingly.

3.9 RDPE performance as at 30 June 2010

3.9.1 The RDPE financial position is reported in Annex 3. The UK 2010/11 budget in the Corporate Plan was £169.2 million (£403 million gross). During May we were notified of an in year cut of £13 million (£6m exchequer) resulting in a revised UK budget of £163.2 million (£390 million gross). This has reduced the in year capital budget as all other scheme budgets are fully committed for the year. The in year cut means rationing the available resources to priority schemes and that we expect to achieve the budget spend target. At the end of June we had made good progress and are on profile, spending £153 million (39 per cent) of the 2010/11 budget.

3.9.1 Good progress is being made against committing the 2011/12 budget. To date we are on profile with 73 per cent (£315 million) committed against a budget of £432 million. However, we have had no formal agreement of the 2011/12 budget and we recognise that with pressure from SR2010, this budget may still change in year. We have reminded Defra that we continue to commit the RDPE budget for 2011/12 to the agreed profile.

4 Impact of in-year cuts on 2010 – 11 Corporate Plan

4.1 The Board is asked to note the assessment we have made on the impact of the £7.4 million of in year cuts required of us by Defra as part of the Governments £6.2 billion (3 per cent) package of savings in 2010/11, of which Defra received £162 million (5.5 per cent). Defra have passed on 5 per cent cuts to all Arms Length Bodies. In addition, our in year RDPE budget has been reduced from an indicative £403 million to £390 million.

4.2 In responding to these cuts we have endeavoured to protect our Corporate Plan targets but inevitably there has been some impact.

Annex 1

1 Strategic Issues Briefing

1.1 These updates represent the position as at 19 July.

1.2 Arms Length Bodies Review

1.2.1 The Arms Length Body Review work that was started by Defra before the election has continued as Ministers have scoped and tested ideas around changes to organisational structures between Defra's Non- Departmental Public Bodies and the Executive Agencies. The main driver for changes has been to cut costs, but also to better reflect the new Government's desire for more localism in the delivery of public services. The work is in parallel, but clearly has major interdependencies with, the decisions on SR2010.

1.2.2 It has been clear from the numerous requests for information that Natural England has responded to that Defra officials have scrutinised a wide variety of ideas affecting Arms Length Bodies and have presented these to the Ministerial Team. Defra planned to submit final proposals to the Cabinet Office on 16 July for consideration and we expect announcements indicating the future of the Defra family of Arms Length Bodies before recess at the end of July with the possibility of further announcements in the Autumn.

1.3 Spending Review 2010

1.3.1 Shortly after the May Board meeting, Defra confirmed that Natural England's share of Defra's overall budget cuts for 2010-11 of £162 million (5.5 per cent) would be £7.4 million (5 per cent) - the same in proportionate terms as for other Arms Length Bodies (ALBs) in the Defra network. This funding cut means that Natural England has had its Grant in Aid reduced by a total of £11.1 million compared with 2009/10. In the recent emergency budget the Chancellor announced an increase in VAT to 20 per cent from January 2011 which will add a further £2 million per annum of cost pressures.

1.3.2 We were asked to complete a Spending Review 2010 (covering the 4 year period April 2011 to March 2015) submission to Defra in June. Ministers reviewed this at the end of June and we made a revised submission reflecting Ministerial priorities in early July. We made our submission in the context that non ring-fenced departments such as Defra would be subject to a minimum 25 per cent cut in funding and for administrative costs within any department the funding cut would be at least 33 per cent. In the context of the state of the public finances, Natural England had prepared for this submission by commencing a Performance and Efficiency Programme to look at every aspect of its delivery and support activity. We were therefore well placed to describe how we would structure cuts of this magnitude and what impacts they have on our delivery.

1.3.3 Defra submitted their Spending Review 2010 return (which includes Natural England and its other NDPBs and Executive Agencies) to Treasury on 16 July. There is then a period of Treasury challenge and government consultation with the public over the summer. We expect Departments to receive their settlements from Treasury in September 2010 with Natural England's indicative allocation being made in October 2010.

1.3.4 We therefore expect that the timing of the next Natural England Board on 30 September will enable us to share in public the implications of the funding reductions.

1.4 National Audit Office Audit into Diffuse Pollution

- 1.4.1 The National Audit Office have been carrying out a Value for Money study on the effectiveness of the Environment Agency's work to reduce diffuse water pollution as England's lead body for water quality. The study has focussed on rural diffuse pollution, and measures to address it, including the England Catchment Sensitive Farming Delivery Initiative which is co-delivered by Natural England.
- 1.4.2 Whilst Natural England is not the subject of the audit, we are involved through joint delivery with the Environment Agency of the England Catchment Sensitive Farming Delivery Initiative. The National Audit Office looked at three case studies and surveyed the England Catchment Sensitive Farming Delivery Initiative Officers to explore engagement with farmers, successes achieved, barriers to change, joint working with stakeholders and the overall effectiveness of the initiative. Natural England has also been involved as the Environment Agency's partner in addressing diffuse pollution to achieve ecological outcomes, especially for wetland Sites of Special Scientific Interest and Natura 2000 sites.
- 1.4.3 The National Audit Office published the final report on 8 July. The report contained several welcome findings and recommendations about the effectiveness of the England Catchment Sensitive Farming Delivery Initiative in raising awareness amongst farmers of diffuse pollution from agriculture, encouraging them to take action and on water quality outcomes. It did note, however, that measures to address rural diffuse pollution are at an early stage and to investigate whether Environmental Stewardship can do more to address the issue. We will be taking forward the report's recommendations relevant to us including proposals for an extended England Catchment Sensitive Farming Delivery Initiative programme.

1.5 Environmental Leadership Delivery Plan (ELDP)

- 1.5.1 The quarter has been focused on re-scoping our plans, including revisiting our evidence programme to ensure fit with the emerging government priorities and the central freeze on advertising and marketing activity, and discussing with Defra the nationally significant elements of our plan. We have put in place a review and exemptions process with Defra covering all planned contractual expenditure on communications.
- 1.5.2 As part of our evidence-based remit to advise Government on the natural environment, we are seeking to align forthcoming interventions with Defra's emerging priorities, which has delayed some planned interventions. The publication of the report into the state of England's grasslands, co-authored with the Grasslands Trust has been postponed. Our planned launch in July of the Good Farming, Better Environment report, which we have developed jointly with the Environment Agency, National Farmers Union, and the two Welsh Farming Unions, is also now on hold while until we get advice from Defra.
- 1.5.3 Alongside this, our programme to raise the profile of our evidence on biodiversity as part of the International Year of Biodiversity continued with the launch on 26 June of a public campaign in partnership with The Guardian and Oxford University Museum of Natural History to name ten rare species. All of the species in the competition are listed on the UK Biodiversity Action Plan as priority species for conservation. The aim is for the public to create names that will inspire people to do more to protect the species that are currently largely only known by a few experts. Our expert panel judged the entries, and the winning names were announced in a special Guardian feature on 17 July.
- 1.5.4 These high level interventions are supported by a programme of regional activity, particularly to promote the International Year of Biodiversity. We are also supporting the British Wildlife Photography Association and Landscape Photographer of the Year Awards. The Secretary of State for Environment, Food and Rural Affairs has written a

foreword for the book of the British Wildlife Photography Association and Landscape Photographer of the Year photographs and will present the awards at the October launch.

1.6 Review of England's Wildlife Sites and Ecological Network

- 1.6.1 In September 2009, Hilary Benn announced a review of England's wildlife sites and ecological network. The review panel is chaired by Professor Sir John Lawton and includes representatives from the voluntary conservation sector, National Parks and AONBs, academia, the farming and water sectors and local government. Natural England is represented on the panel by our Chief Scientist and we provide the secretariat. The new Secretary of State, Caroline Spelman sees the review as key to informing a Natural Environment White Paper and the UK's response to the Convention on Biological Diversity. The Secretary of State has agreed an extension to the original deadline and the panel is now aiming to complete the review by the end of August 2010.
- 1.6.2 Although the panel is still drafting the report, it is likely to conclude:
- England does not have a coherent and resilient ecological network; this should not come as a surprise because our existing designated site series was never designed as a network.
 - While recognising that resources are currently scarce, the longer we delay taking action to establish an ecological network, the more we will ultimately have to do and the more it will cost.
 - There is no silver bullet: we need to invest in our natural environment if we are to establish a coherent and resilient ecological network but this will deliver economic and social benefits that far exceed the costs.
- 1.6.3 The panel has agreed that the solutions will cover four general themes:
- Improving our current sites (including better protection and management of AONBs and National Parks).
 - Enhancing connections between, or joining up, sites.
 - Designating and creating new sites.
 - Reducing the pressures on sites and enhancing the wider environment.
- 1.6.4 The report will include an analysis of the extent to which available levers (in particular agri-environment schemes, the planning system, and regulation) are sufficient to deliver the required solutions and make recommendations concerning the role biodiversity offsets/ conservation credits might play.
- 1.6.5 In terms of 'on-the-ground changes', the panel is likely to recommend:
- Better protection and management of remaining wildlife sites to ensure that the core patches within the ecological network are of high quality. In addition to SSSIs, this recommendation will consider other wildlife habitats, such as in Local Wildlife Sites, National Parks and AONBs. It will also include setting site objectives that improve resilience to climate change by focusing more on enhancing habitat diversity and underpinning ecological processes.
 - The creation of new wildlife-rich areas. These will be valuable at different scales (e.g. including sites that act as corridors or stepping stones).
 - Efforts need to be made to buffer wildlife sites and natural corridors, such as rivers and along our coast.

1.7 Proposed Changes to the way Agri-environment Schemes Operate

- 1.7.1 On Monday 5 July, Defra announced that European Union auditors had questioned aspects of the administration of Environmental Stewardship and in particular the practice of starting agreements on the first day of a month and making payments on a six monthly cycle thereafter.
- 1.7.2 European Union auditors instead wish us to establish a single, annual claim date for Environmental Stewardship payments. Farmers and land owners could continue to apply at any time and agreements could still start on the first of each month. Defra's press release explained that it (with Natural England) is still in discussion with the European Commission over the most appropriate way to address the auditors' concerns, and made clear the intention to minimise the impact on agreement holders as far as possible. The press release went on to say that any changes will not be implemented until 2011 at the earliest but warned that delays to the payments for some agreement holders are likely.
- 1.7.3 We have written to all Environmental Stewardship agreement holders to tell them about this and explain that they need do nothing for now. We have also offered reassurance that farmers and land owners can still apply to renew expiring Entry Level Stewardship agreements. We will now discuss with stakeholders how we might amend claims processing to have the least impact on agreement holders. Defra wrote to the European Commission on 30 June, setting out a detailed case on why the current delivery arrangements protect European Union monies, are customer focused, highly effective in promoting take-up of the scheme and efficient to administer (by avoiding peaks of work and enabling electronic applications for European Union agreements). We do not anticipate the next formal communication from the Commission until September or October.

1.8 Marine Natura 2000 Sites

- 1.8.1 We have submitted our recommendations to Defra on time for the designation of ten proposed new Special Areas of Conservation and two proposed Special Protection Areas in English inshore waters. This follows a public consultation held between November 2009 and February 2010. The designations would mark a significant step forward for the Government's commitment to deliver an ecologically coherent network of Marine Protected Areas (MPAs), and compliance with the Convention for Biological Diversity, the OSPAR Convention and the World Summit on Sustainable Development. In English waters, the main contributors to our MPA network will be marine Natura sites and Marine Conservation Zones (MCZs). Marine Natura sites – the most valuable marine sites in a European context – provide the starting point for our network, and the recommendations for MCZs being developed by the four regional projects will "fill the gaps" in the rest of the network.
- 1.8.2. Three of the sites cover both inshore and offshore waters in England, and another covers inshore waters in both England and Wales. In those cases, the recommendations were made jointly by Natural England and the JNCC or Countryside Council for Wales as appropriate.
- 1.8.3 Work continues to clear the Impact Assessments that have been conducted and consulted on, in parallel with the site selection assessments. Defra aims to submit the package to the European Commission by the end of October, in order to avoid the risk of infraction for insufficiency.

1.9 Update on the White Tailed Eagles

- 1.9.1 Natural England took a decision in early June to withdraw as lead partner from the project looking at the feasibility of reintroducing white-tailed eagles to East Anglia.
- 1.9.2 We issued a press release on 14 June 2010 and made it clear that “*The decision reflects the need for crucial savings in public funding that must be made in the current climate of financial restraint and the need to concentrate on existing commitments to biodiversity conservation*”. The press release was supplemented by widespread engagement with media, partners, stakeholders, MPs and staff. Our statement generated substantial national and regional media coverage and interest from stakeholders. Reactions were either of disappointment but understanding, or a welcome for the withdrawal, reflecting the wide range of opinions on the project.
- 1.9.3 The RSPB, our project partners within the feasibility studies, made their own announcement in response to our press release, indicating their disappointment, expressing their concern that wildlife conservation will be hit by financial stringencies, and indicating that they would be contacting CLA to seek areas where they could work together on a white-tailed eagle reintroduction.
- 1.9.4 The RSPB has not as yet taken a view on them leading a white-tailed eagle reintroduction in future beyond stating that they continue to aspire to seeing white-tailed eagles back in England. RSPB could, in theory, continue with the reintroduction project on their own or with new partners – they would still need to seek a release licence from Natural England.
- 1.9.5 The weeks following the announcement have seen various eagle stories in the media, and we have recently received two FOI requests relating to our evidence collated during the feasibility studies. We are now finalising the reports produced by the project and will honour our commitment to publish all the evidence on our internet site. This should be complete by September.

Natural England Summary Scorecard - Quarter 1

Outcome One	Performance	Outlook
Overall Summary for Outcome One	→	↓
Update descriptions for 159 National Character Areas,	→	↓
Support for AONB Partnerships	→	↓
Create 1,000 ha of new biodiversity priority habitat	→	↓
Maintain 80,000 ha of biodiversity priority habitat	→	→
Meet recovery objectives for 80% of priority species	→	↓
Secure 7,500 ha of arable farmland bird habitat	↓	↓
95% SSSI area in favourable or recovering condition.	→	↓
Complete 4,863 SSSI Condition Assessments	↓	↓
Recommendations for additional Natura 2000 sites	→	→

Outcome Three	Performance	Outlook
Overall Summary for Outcome Three	→	↓
80% of key Development Plans fit our position statements	→	↓
Advice on CAP reform and successor to RDPE	↓	↓
70% of agricultural land under agri-environment schemes	↑	→
Administer £403 million of RDPE incentives	↑	→
505,000 ha under Uplands Entry Level Scheme	↑	↓
28,000 landmanagement advice contacts	→	↓
Promote and facilitate increased uptake of MSC certification	↓	↓

Outcome Four	Performance	Outlook
Overall Summary for Outcome Four	→	↓
Regional eco-systems services pilot projects	↓	↓
Climate change adaptation partnership with Anglian Water	→	↓
Locally specific climate change recommendations	→	↓
Publish Climate Change Character Area Studies	→	↓

Outcome Two	Performance	Outlook
Overall Summary for Outcome Two	→	↓
450,000 children experience the natural environment.	→	↓
10,000 people benefit through "Outdoors for All"	→	↓
88,500 people participate in healthy walking schemes	→	↓
200,000 people get improved access to nature	→	↓
Environmental Volunteering training programme	↓	↓
New Coastal Access rights on 20 km of coast at Weymouth	→	↓

Distinctive Public Body	Performance	Outlook
Overall Summary for Distinctive Public Body	→	↓
75% of stakeholders say our decisions are evidence-based	→	↓
90% of staff say their team is well managed.	→	↓
70% of staff say Natural England is a good place to work.	→	↓
50% of people leaders are IOSH trained	↑	↓
50% reduction in carbon from estates and business travel	↑	↓
Customer service standards met in 95% of cases.	→	→
3% point rise in customer familiarity and satisfaction	↑	↓
Find and reinvest £5 million of efficiency savings	→	→

Natural England's Key Efficiency Indicators	Performance	Outlook
Overall Summary for Efficiency	→	↓
Total staff and programme cost per hectare of SSSI	→	↓
Staff cost per planning casework response	→	↓
Staff cost per £ paid under agri-environment agreements	→	↓
Total cost per land management advisory visit	→	↓
Ratio of core administration cost to programme cost	→	→

2010/11 Quarter One Corporate highlights

Outcome 1

In the **East of England** region, our Wetland Vision grant has enabled Norfolk Wildlife Trust to acquire the 110 hectare 'Gills farm' site. This will lead to the creation of 97 hectares of new wetland habitat. This is the second 'building block' in the creation of a large wetland which commenced with the neighbouring 55 hectare 'Hilgay site'. There remains the potential for continued future enlargement to potentially 1,000 hectare plus on land to the southwest.

In the **Yorkshire and Humber** region we have completed a new reserve base for the Lower Derwent Valley National Nature Reserve. Lower Derwent Valley is one of the country's most important sites for bird ringing. We are now exploring a number of opportunities to use the facility for meetings/facilities for the benefit of the local community and other organisations such as the Yorkshire Wildlife Trust. The base will also include wildlife gardening demonstration areas through work with the Bumblebee Conservation Trust and York Disabled Children's Trust.

Following feedback from our customers and volunteers, the **North East** region held a Tackling Wildlife Crime conference at our Newcastle office in June. Over 90 delegates attended from a wide range of stakeholder organisations. Various enforcement agencies including Natural England gave presentations. 87 per cent of attendees rated the event as "excellent" or "very good".

In the **South West** region, the injection of new money provided through Defra's Environmental Stewardship scheme, with a ten year value of approx £200 000, is going to make a huge difference to the ability of Exeter City Council to manage 70 hectares of Exeter's urban green spaces successfully for the benefit of wildlife and the thousands of people who use the Valley Parks for recreation. As well as improving access, it will also provide a new habitat for one of England's rarest birds, the ciril bunting, right in the heart of the City.

One of the biggest gatherings of wildlife enthusiasts, scientists and nature conservation organisations in the **North East** region descended on Ashington Community Woodland in Northumberland, for a 24-hour Bio-Blitz weekend in May to celebrate International Biodiversity Day. As a member of the north east Biodiversity Forum, we joined forces with our partner organisations including the Environment Agency, Northumberland Wildlife Trust, the Forestry Commission, Butterfly Conservation, The British Trust for Ornithology, Northumberland Mammal Group, and the Natural History Society of Northumbria and the general public at this newly created urban site to identify and count as many species of plants and animals as possible in a 24 hour period.

Outcome 2

The Aston Rowant National Nature Reserve in the **South East** region hosted a BBC Springwatch Wild Day Out in June. The event, which attracted over 2,000 visitors, was the first ever Springwatch Festival to be held on a National Nature Reserve and the day was co-funded with the BBC. 45 organisations and individuals, including RSPB, Forestry Commission, National Trust, local Wildlife Trusts and Groundwork as well as various local environmental groups, farmers and partners hosted information stalls, walks and activities. There was strong media coverage before the event and live broadcasts by BBC Oxford from the National Nature Reserve on the day.

In the **South West** region, the Bristol Festival of Nature took place over 3 days in June in Bristol's harbour side. The event was very well attended and our stand was busy with families and children all weekend. Friday was schools day and we had 219 children from 24 schools attend our interactive sessions. During the weekend over 700 children took part in two regional biodiversity quizzes resulting in us giving away hundreds of species top trumps cards, and we distributed a

large number of South West National Nature Reserve /International Year of Biodiversity activity booklets.

The **Environmental Advice and Analysis** team delivered a keynote presentation at the First International “Healthy Parks Healthy People” Congress in Melbourne Australia and secured significant international recognition that England is leading the world in securing healthier lifestyles and the amelioration of the causes of poor health through environmental management. The team developed links to secure a follow-up event in England in 2012 and exchanged lessons from practice during a programme of meetings associated with the Congress.

In the **London** region a hugely successful 2010 Oyster Catcher bird race took place this quarter with 14 teams competing, including two from BBC Springwatch programme led by Chris Packham and Martin Hughes. Their full day of ‘twitching’ was extensively filmed and featured throughout the last week of the Springwatch on BBC TV. The eventual winners on the day were London Wildlife Trust with 90+ species spotted - outstripping both our own team and the BBC by some 25 species!

Staff from the **North East** region presented our research on regional environmental volunteering and the Walking for Health initiative at the regional England Volunteer Development Council conference. The meeting was chaired by Baroness Hanham, the new Undersecretary of State for the Department for Communities and Local Government.

At the **South West** region’s Open Farm Sunday at Parsonage Down National Nature Reserve, there were record numbers of attendees and good press coverage - over half the attendees were under the age of 16. All of our nature themed arts and craft activities were a hit with the children. The Tractor and Trailer rides were popular as was the BBQ (where visitors ate over 300 Longhorn burgers from our own cattle), the straw bale maze, and the Giant Drawing Wall (18m x 2.5m). Visitors were also able to meet the farmer, and find out about wildlife in the area from local conservation organisations.

The **Yorkshire and Humber** region took part in the first of three key events to celebrate International Year of Biodiversity and raise awareness of Yorkshire’s special wildlife and the places where people can go to enjoy it. The Bradford Mela event in Bradford is an annual celebration of traditional and modern art, craft, culture from both the Asian and more wider global communities. This was the first time we have engaged specifically with a large group of the black and minority ethnic community in an urban environment. We ran wildlife activities for 320 younger children and their families. We had positive feedback from those who attended with particular mentions for a well organised and engaging stand.

Outcome 3

Work in the **South West** region has helped to secure a new wetland nature reserve as part of the development of Bristol City Football stadium. This will include Biodiversity Action Plan habitat and we hope to secure a substantive element of new public access.

In the **North West** region ten landowners have signed up to a joint Higher Level Stewardship agreement on Drumbrough Moss Site of Special Scientific Interest to ensure the restoration of a lowland raised bog, including the re-wetting of 90 hectares. This is the first agreement of its kind in the country and provides a model to restore other designated bogs.

In the **Yorkshire & Humber** region, Skipwith Common National Nature Reserve was officially opened in May at an event attended by 60 people from the local community and organisations who have been involved in the management of the site over the years. The site is of international importance for its wet and dry heathland. The site was a Second World War training base, occupying 274 hectares and has a memorial dedication to the Royal Air Force personnel who served there. Escrick Park owns the site and appreciated our partnership work in securing National Nature Reserve status. This is the first time a Higher Level Stewardship agreement has been set up with a National Nature Reserve landowner and where Natural England is the lead

manager. The new reserve compliments the nearby portfolio of Lower Derwent Valley National Nature Reserves.

The **North East** region has been out and about promoting environmental stewardship this quarter. At the Beef Expo at Hexham Auction Mart, we spoke to a large number of farmers and land agents to promote both Uplands Entry Level Stewardship and Entry Level Stewardship. At the Glendale Countryside Event for Children, over 800 people visited our tent and enjoyed taking part in collage craft activities to help explain landscape and climate change. And on a sweltering day, farmers visited our stand at the Northumberland County Show to hear about how they could renew their Entry Level Stewardship agreement, and apply for Uplands Entry Level Stewardship.

Three members of the **Evidence Team** gave presentations at the “*Agri-environment schemes – what have they achieved and where do we go from here?*” conference, held at the University of Leicester in April under the auspices of the Association for Applied Biology (mainly arable – oriented) and the British Ecological Society. It was well attended by 120 participants from across Europe, primarily scientists and Non Governmental Organisations concerned with biodiversity. This conference provided a timely opportunity to present evidence from across Europe on the environmental outcomes being achieved by schemes. A significant amount of the evidence described at the conference was derived from our monitoring activities.

In the **South West** region, we have joined together biodiversity and access in several sites. We secured 7 hectares of Biodiversity Action Plan habitat along the north side of the River Stour, which links the Castleman Trailway to the Leigh Common Local Nature Reserve. We put in place 1.3 km of footpath along the River Stour to link into an existing pedestrian bridge at Canford. We also secured a further 1.4 hectares of Biodiversity Action Plan habitat alongside the existing Site of Special Scientific Interest at Christchurch Harbour.

The **North East** region is supporting a project with Stockton Borough Council to create Wynyard Woodland Park, a network of meadows and woodlands just north of Stockton town centre totalling 146 hectares. The project will create 10 hectares of BAP habitat (lowland meadow) and 250 metres of access routes while significantly enhancing 2.5 km of existing access routes over the next two years. In addition, the project will improve 76 hectares of Semi-Natural Broadleaf Woodland with the local probation service delivering some of the work.

In the **Yorkshire and Humber** region, we have been working with partners to find a solution that minimises seabird deaths as a result of fixed net fishing in Filey Bay - a practice that has taken place there for more than a century. This followed an investigation by the RSPB that discovered that guillemots and razorbills from nearby Bempton Cliffs Special Protection Area were dying in these nets designed to catch sea-trout and salmon. In May 2010, a byelaw came into force to cover the time when the birds are most at risk and six Filey netsmen have now been licensed by the Environment Agency to catch sea-trout and salmon using the fixed nets. The seabird by-catch will be monitored closely in the first year to assess whether the byelaw is achieving its aims.

Outcome 4

On the Shapwick Heath National Nature Reserve in the **South West** region, ITV are currently filming for a new series ‘Guide to Wild Britain’ due out at the end of the year. The film’s producers have shot sequences with the author and television presenter, Ray Mears, which they will use for the ‘Wetlands’ episode, with some pieces also filmed on nearby RSPB and Somerset Wildlife Trust reserves. Ray found time to chat and have photographs taken with one of our diversity volunteering groups, making for an unforgettable day for members of the group with either severe learning difficulties or mental health problems.

Members of the **Evidence** team contributed to a book that was launched in April, on the long-term research in Wytham Woods, Oxfordshire. Evidence from 60 year’s research work on this SSSI from a wide range of partners is contributing directly to conservation theory, practice and policy. Examples of this work include: studies of restoration of limestone grassland from arable fields;

long term relationships between tits, their food and climate; impacts of drought on vegetation and invertebrates; effects of deer on woodland composition and structure.

The **North West** region held a project workshop in May to consider the public benefits provided by the local uplands. 34 participants from 22 organisations explored what the public benefits and ecosystem services are from these uplands areas and the opportunities and barriers to future supply of these benefits. The workshop also considered how such benefits can differ across the region.