

Natural England Board



Meeting: 16
Date: 20 May 2009

Paper No: **NEB PU16 02**

Title: **Chief Executive's Report**

Sponsor: **Helen Phillips, Chief Executive**

1. Purpose

1.1. The purpose of this paper is to report on our current strategic issues, delivery against our Corporate Plan and our financial performance. A full summary of Natural England's performance for 2008/2009 is the subject of the Chief Executives end of year presentation.

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 in 2008/09; and
- considers our draft outturn financial position for 2008/09.

3. Report

3.1. Strategic Issues

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

- Set-aside mitigation;
- Marine and Coastal Access Bill;
- Floods and Water Bill;
- Local Democracy, Economic Development and Construction Bill;
- Delivery of the Environmental Leadership Plan;
- NAO Audit of Organic Entry Level Scheme;
- National Park Authority appointments.

The Chief Executive will provide a verbal update on current strategic issues.

3.2. Delivery on our Corporate Plan

- 3.2.1. A summary of our overall performance for 2008/09 is provided in the balanced scorecard attached in **Annex 2**. This report is produced from evidence of our performance gathered through our quarterly reviews led by executive Directors and supported by the Corporate Performance Management System.
- 3.2.2. At the fourth quarter review of our 35 targets, none were red, one was amber red, 5 were amber green and 29 were green. At year end 97% of our targets are green or amber green up from 86% at quarter 3 and exceeding our forecast of 89%. The table below details the results by strategic outcome and for Distinctive Public Body (DPB).

	Red	Amber/Red	Amber/ Green	Green
Outcome 1	0	1	1	4
Outcome 2	0	0	0	5
Outcome 3	0	0	3	3
Outcome 4	0	0	1	5
DPB Creating Environmental Leadership	0	0	0	4
DPB Delivering our Business	0	0	0	4
DPB Building Capability	0	0	0	4
Q4 Totals	0	1	5	29
Q4 %	0%	3%	14%	83%
Q3 Totals	1	4	9	21
Q3 %	3%	11%	26%	60%

- 3.2.3 A summary of the highlights of our overall performance for the year 2008/2009 is the subject of the Chief Executive's End of Year Presentation.

Delivery on Outcome 1

- 3.2.4. We are making excellent progress on SSSI delivery. At year end, we achieved 88.4% of SSSI area in target condition which represents an increase of 5.7% over the year. At the same time, we have completed all 4,115 conservation objectives and favourable conditions tables and have exceeded the target that we set in-year to undertake some 4,000 condition assessments. In achieving these targets we have delivered on commitments we made at the Public Accounts Committee hearing on SSSI delivery
- 3.2.5. We have made significant improvements in delivery of BAP habitat and farmland bird targets. We met our target of 65% of BAP habitat under favourable management taking the total area to 53,434 ha. We exceeded our target on priority species with 72% of those for which we have the lead on-track to meet recovery plan objectives. We exceed our target on farmland bird options. An additional 2,296 ha in quarter 4 took our total to 5,057 ha (12% above baseline).
- 3.2.6 Delivery of our Marine Protected Area work is rated at amber red. We have met all our marine targets except the submission of Departmental Briefs to

Defra for two new Special Protection Areas (SPA) which have in principle agreement but the need for further work has been identified. As a consequence, we are unable to begin informal consultations with stakeholders on either the new SPAs or the new Special Areas of Conservation (SAC). We have made good progress on securing an effective Marine Bill, developing four regional Marine Conservation Zone projects and the necessary guidance to support their work, promoting favourable condition for existing marine SACs and SPAs, and raising public awareness of undersea landscapes.

Delivery on Outcome 2

- 3.2.7. Quarter 4 performance for all Outcome 2 targets is green. A key success has been the delivery of the Access to Nature Grant programme with over £7m awarded to 23 projects which will significantly deliver against our outcome 2 objectives. We increased the number of health walks by 15% and participation by 20%. We achieved a 6.4% increase in Natural England volunteers exceeding our target of 5%.
- 3.2.8 Mapping of access infrastructure was completed to a consistent methodology and format for all nine regions. Partners have been engaged in their potential application and guidance on their use issued, in order that improvements can be identified and advocated in 09/10. Four potential Champion NNRs have been identified and projects are now being progressed on each of these, including development of outline plans with potential investment partners, research into visitor potential and an initial appraisal of investment options, which will inform the development of detailed business cases during 09/10. Additionally, we have defined minimum visitor service standards for our 25 most visited NNRs, identified gaps in provision and begun to develop plans to address these gaps over the next two years

Delivery on Outcome 3

- 3.2.9 All Outcome 3 targets are green or amber/green at the year end. We achieved all targets for spatial targeting and multilevel governance, and exceeded targets in Green Infrastructure. This year we completed three regional pilots, 11 green infrastructure spatial strategies, 17 implementation projects and engaging all 9 regions around Sub National Review. The ParkCity Green Infrastructure Conference jointly organised with CABI, and our green infrastructure guidance and case studies, consolidated our reputation with stakeholders and public profile on this issue. We have a clear strategy for multi level governance and the spatial targeting contract produced a comprehensive database to enable spatial targeting of our work by outcome.
- 3.2.10 We achieved 65.1% against a target of 65% Useable Agricultural Area (UAA) under agri-environment agreements, an increase of 5.9% in the year and we are in a good position to achieve the 70% target by 2011 based on the initial promising renewal rates. We delivered 16,608 advice contacts, 25% up against a target of 13,197.

Delivery on Outcome 4

- 3.2.11. All of the targets under Outcome 4 are green. Natural England influenced the Climate Change Act such that a healthy natural environment is the

cornerstone of sustainable adaptation and we are the lead body for its delivery; furthermore, all greenhouse gases (not just carbon dioxide) are now included in the emissions reduction target, meaning that the land management sector have a significant contribution to make to climate change mitigation. In addition to securing these legislative changes, we led the debate on both mitigation and adaptation via: a conference on Uplands Climate Change that forged a consensus on integrated action in the uplands; a report on Land Managers as Carbon Managers which set out the contribution that land management can make to climate change mitigation; and the Climate Change Character Area reports which set out practical actions required to enable adaptation to climate change.

- 3.2.12 Our work to identify future challenges has encompassed a core programme of horizon scanning (influencing Defra and others), and delivered a set of future scenarios that both inform future policies and will underpin our land use vision for 2060. More immediately, we have secured positive changes in the CAP Health check to enable action to be taken and mitigate the zero rating of set-aside. We are now focused on the central challenge of finding better ways to communicate and apply the value of the natural environment, have completed a policy on ecosystems services and have established a programme both to influence the National Ecosystem Assessment and demonstrate innovative delivery of ecosystem services.

Delivery on Distinctive Public Body

- 3.2.13 All of the targets in Creating Environmental Leadership were at green at the end of March. The Reputation Tracker research shows prompted awareness has risen from to 28%; familiarity has risen to 66% and coverage of Natural England in national print media increased by 39%. We exceeded our target on achieving our advocacy objectives and developing joint goals with stakeholders. Staff confidence in advocating policy rose to 70% and confidence advocating purpose rose to 72%. We have a good external reputation with stakeholders regarding trust in our evidence (71%) and knowledge. Our challenge now is to bring staff perceptions up to the same levels.
- 3.2.14 All of the targets in Delivering our Business are green. We have significantly improved our business processes and systems combined with step change improvements on efficiency and carbon management to help deliver our outcomes in 2008/9. Highlights include the transfer of the operational control of Genesis to Natural England, an increase of over 30% in staff satisfaction levels with IBM desk top services (which are now over 80%) and an 16% reduction in Health and Safety incidents from 2007/8
- 3.2.15 We have exceeded our cash efficiency target by 14% delivering £5.7m of cash efficiencies in procurement, estates rationalisation and corporate services review. We have delivered an additional £3.1m of external funding growth ahead of £2m target. We have achieved a 19.8% reduction in CO₂ against our 2007 baseline. This exceeds our interim target for 2008/09 (10%) and is chiefly due to the estates rationalisation programme. During the year we achieved level 2 of the sustainable procurement flexible framework. We have delivered a 30% (c£3.9m) reduction in the administrative burden placed upon our customers through a mixture of consolidation of schemes and through changing the way we work with our customers. We have received

positive feedback following a BERR led review of our compliance with the "Hampton Principles" on better regulation.

- 3.2.16 All four targets in Building Capability are green at year end. We have developed and rolled out a range of leadership development programmes for team leaders, managers, ELG and Executive Board. As a result 66% of people now feel their Team is well managed against a target of 65%. We have put in place a Workforce Strategy and developed People Plans for all teams. We have successors for business critical roles, established a baseline for development moves, and a network of diversity champions and ambassadors.
- 3.2.17 The pulse survey results demonstrate that the first phase of transformation has been successful. Our most important ways of working are properly established and our organisational profile, identity and confidence continue to grow. The induction events programme received extremely positive feedback and we achieved 83% of new starters attending (target 90%). 54% of staff responded positively to the question "my performance has improved as a result of the skills I have developed over the past year" - exceeding the target set at 40%.

3.3. Corporate Plan 2009 to 2012

- 3.3.1 The Acting Chair and the Chief Executive met with Huw Irranca- Davies, Minister for the Natural and Marine Environment, Wildlife and Rural Affairs on 27 April 2009 to review the Corporate Plan prior to sign off. It was a positive meeting and the Corporate Plan was approved in principle subject to minor changes to strengthen references we have already made to Natural England's contribution to climate change adaptation, emphasise that our report on the State of the Farmed Environment will contribution to PSA 28 and further stress the importance of partnerships and solutions in our work, particularly marine. We expect that the Corporate Plan will be approved before the May Board and a verbal update will be given at the meeting.

3.4. Financial Position to 31 March 2009

- 3.4.1. The annual accounts are currently being audited by the NAO. However the first draft of the annual accounts show that for our third year in succession we have delivered to our total revenue budget of £231m and our £6.1m capital budget.
- 3.4.2 The RDPE UK 2008/09 budget was £155m. The final outturn is £155.4m (100.3%) including £6m on capital works achieved through contacting 20000 classic scheme holders.
- 3.4.3. The Annual Accounts are part of the Annual Report and Accounts process and the steps for obtaining clearance by the Board and the NAO are covered in paper PU16 03 Annual Report and Annual Review.

Annex 1

Strategic Issues Briefing

Set-aside and mitigation

Set-aside effectively ended in the summer of 2007 and was formally abolished in January 2009. The Government has recognised the need for remedial action to offset the environmental loss, especially for farmland birds, which will result.

On 4 March 2009, Defra launched a twelve-week consultation on proposed changes to cross compliance, following the outcome of the CAP Health Check, including a consultation on the following two main set-aside mitigation options:

- Option A (also referred to as XC1 in earlier documents) which links the Single Farm Payment to environmental management of land, with additional incentives available through Environmental Stewardship. It requires larger arable farmers to keep a minimum area of land under Environmental Management as a cross-compliance condition of their Single Farm Payment. New 'top-up' options in ELS would incentivise a higher level of management on these areas.
- Option B which is a wholly voluntary approach championed by the NFU and CLA. The Defra consultation document notes that this would be the preferred approach provided that Secretary of State could be confident that it met the environmental goals and criteria.

Natural England's response to the Defra consultation will look to weigh the different set-aside mitigation options against the selection and success criteria, laid out in the consultation document. We will endeavour to identify any interdependencies between the alternative set-aside options and the different approaches that are proposed to address the new cross-compliance standard on buffer strips next to watercourses.

To assist the comparison of the different set-aside mitigation options, Natural England has developed a target setting framework, linking the wildlife and resource protection benefits that developed on set-aside and other uncultivated land to the proposed means of restoring them. Our advice on the quantity and quality of land under management has been shared with Sir Don Curry and the other members of his High Level Set-Aside Group, as well as the specialist farming press. While the statistics on set-aside can be complicated depending on the assumptions being made, our position, in a nutshell, can be summarised as follows:

- Between 2005 and 2007 there were 480,000 ha of uncultivated land – in set aside or otherwise uncultivated.
- With good management, the benefits we need can be achieved with half of this area – 240,000 ha.
- In 2008 there were 159,000 ha of uncultivated land. If we can retain this going forward, we would have to take a further 81,000 ha out of production to meet the target of 240,000 ha.
- The additional 81,000 ha equates to 1.5% of arable land nationally, and is a relatively small amount to ask for in return for a large environmental gain.
- The challenge, under either option A or B, is to secure the additional area needed and get the **whole** 240,000 ha into appropriate management to

deliver the benefits required. This is on top of the area already in agri-environment schemes.

Just prior to a Defra stakeholder workshop on the set-aside consultation options, held on 23 April, the NFU and CLA published its revised proposals for Option B—the wholly voluntary approach. In response, we welcomed the proposed design and focus on the three themes of birds, other wildlife and water quality and the idea of county level targets. However, we also identified the following main concerns that would need to be addressed if Option was to meet Defra's criteria:

- a faster pace of implementation – to start in 2010, not 2011
- the suggested trigger for regulatory intervention (if the area of uncultivated land is less than 102,500 ha for two consecutive years) is set too low. It is only about half the land area needed
- the approach needs to specify the quality of management needed for land within the scheme
- testing the scheme against the set of targets that Natural England has developed to verify whether Option B can deliver what is needed.

The High Level Set-Aside Group meeting on 5 May, chaired by Sir Don Curry, should provide an opportunity for further consideration of how the industry proposals could be improved.

Natural England will submit its consultation response before the 27 May deadline and the expectation is that a final decision will be announced by Secretary of State by the last Thursday before the summer Parliamentary Recess (16 July). We have been particularly keen to highlight the urgency of a Ministerial decision by this deadline, if the option of effective action in 2010 is to be kept open. We have also put on record our intention to work closely with the industry throughout the consultation period and after the Secretary of State has chosen which option to deploy.

Marine and Coastal Access Bill

The Marine and Coastal Access Bill has continued its progress through the House of Lords with 10 Committee sessions completed to date. We have worked closely with the CCW, JNCC, Environment Agency and Wildlife Link as well as meeting with other stakeholders so that they understand how the Bill provisions are likely to operate.

During the past quarter the Bill has been strengthened and improved, in particular (i) the reinstatement of the general offence of damaging a MCZ and (ii) inclusion of a duty to designate. Natural England has a number of outstanding issues and will continue to work to resolve these. In particular:

- Sustainable development duty on Marine Management Organisations (MMO) and Inshore Fisheries and Conservation Authorities (IFCAs);
- The need for a timescale for the designation;
- Continue to call for reckless and disturbance to be added to the offence, and to call for removal of the sea fishing exemption;
- Duty to report on MCZs and wider marine environment;
- No change in the designations of sub-tidal SSSIs;

Some of these are likely to be addressed either in the Bill or accompanying guidance. It is unlikely that Royal Assent will happen before the summer recess.

Floods and Water Management Bill

The draft Bill was published on 21 April 2009, accompanied by a consultation paper on a number of other policies to be included in the resulting legislation. The Bill aims to update, strengthen and extend flood and water legislation by implementing recommendations from the Pitt Review, the Cave Review, the Walker Review and Defra's *Future Water strategy (2008)*. It has a particular focus on addressing all sources of flooding, clarifying responsibilities and modernising flood-risk management.

Specific proposals include:

- formalising the shift from 'flood and coastal defence' to 'flood and erosion risk management'
- transposition of the EU Floods Directive, by setting out a clear framework for Flood Risk Management Planning and placing existing Shoreline Management Plans, Catchment Flood Managements and proposed Surface Water Management Plans on a statutory footing;
- transferring responsibility for coastal erosion management from district councils to the Environment Agency;
- giving county and unitary authorities new responsibilities for surface water management plans and maintenance of Sustainable Drainage Systems (SUDS); and
- giving the Environment Agency powers to undertake restoration of rivers and coasts, linked to the Water Framework Directive.

Further key issues Natural England believes that the Bill should include are:

- provision of a clear definition of sustainable Flood Risk Management and how approaches to flood and coastal erosion risk management should work with natural processes and the management of land;
- introduction of statutory water-efficiency targets for both domestic and business consumers;
- reform of Internal Drainage Boards to ensure they deliver more for the environment;
- long-term management of sediment at the coast as part of a longer term adaptive solution to addressing future coastal-erosion risk;
- introduction of responsibilities and powers for addressing the problems of non-native invasive species in the water and riparian environment; and
- reform of the abstraction licensing regime to protect and enhance the natural environment.

It is expected to be introduced in a later Parliamentary Session, but its final scope will be influenced by the timing of a general election (due by June 2010).

Local Democracy, Economic Development and Construction Bill

The Bill proposes how regional strategy and policy will be made and delivered in future years. Natural England has been working to strengthen the current provisions of the Bill.

Ahead of publication we worked closely with the Environment Agency and achieved substantial improvements and clarity in references to Natural England and its role.

As the Bill has passed through the Lords, we have continued negotiations with CLG and Government ministers have, in debates, made direct reference to Natural England's concerns and stated their commitment to ensuring sustainable development is behind the purpose of the new regional strategies. Changes to the Bill to clarify this are proposed

The importance of engaging Natural England and the Environment Agency, as expert advisors, in regional strategy development has also been reinforced in guidance and CLG have committed to involving Natural England in the future development of policy guidance.

Day 4 of Report Stage in the House of Lords has now been scheduled for 22 April, and is expected to cover the remaining clauses of the Bill including Economic Prosperity Boards. Third Reading is still scheduled for 29 April, after which the Bill will then move into the House of Commons.

Delivery of the Environmental Leadership Plan

This programme consists of 21 key projects that Natural England will be delivering from April onwards to build our reputation as an environmental leader and to help deliver our Corporate Plan Outcomes. The programme was taken through the External Affairs Steering Group, ELG and the Natural England Board in December and is now 'bedding' down in the organisation, with projects included in our new Corporate Plan, and owned by the relevant Target Delivery Directors.

Progress to date of delivery of the programme includes:

- the launch of our 'one million children outdoors programme' at the Natural History Museum on 2 April with the publication of Stephen Moss's 'Bumper Book of Nature
- Parks city conference - jointly sponsored by Natural England and CABI, delivered on 23rd March
- Natural Health Service launch – planned for Mid May and subject to agreement of dates with Secretary of States for Environment and Health

NAO Audit of Organic Entry Level Scheme

We continue to engage with the National Audit Office's (NAO) Value for Money Audit into the Organic Entry Level Stewardship (OELS) scheme. The NAO visited Incentive Scheme Services team in Crewe in April (where OELS is exclusively processed) and submitted their scoping study plan for our comments, prior to it being finalising (expected end-April). NAO have agreed to share their research/consultation findings and interpretations with us.

Drawing on the experience of the NAO study into SSSIs last year, we have put in place similar governance arrangements. The project manager is working with Teams from across Natural England (stakeholder engagement, internal audit, evidence) and Defra to provide provide a link with the NAO to ensure that we pick up early on any emerging themes.

We expect the NAO to publish the audit report in November 2009 and be considered by the Public Accounts Committee in February 2010.

National Park Authority appointments

In April, we met Defra to review the process of National Park Authority appointments in 2008/09 and identify vacancies arising in 2009/10. We agreed that new forms and guidance will be prepared for applicants, panel members and Natural England regional teams, and that an experienced OCPA assessor would provide a quality assurance role of the new paperwork. We obtained greater clarity on the implications of OCPA compliance and anticipate that the changes required will be minimal, with little or no material change to the way that the sift and interview panels are conducted.

We also agreed steps to encourage a higher number of applications, in particular from under-represented groups and noted that Defra intends to raise awareness amongst Regional MPs when the recruitment is underway and notify them of the outcome. This year, there may be up to 14 vacancies across 5 to 8 National Park Authorities and a possible vacancy arising on the Chilterns AONB Conservation Board. In parallel, Defra will also be recruiting between 8 and 12 members for the South Downs.