

# Natural England Board



Meeting: 13  
Date: 5 November 2008

Paper No: **NEB PU13 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.

## **2. Recommendations**

2.1. It is recommended that the Board:

- advises on our current strategic issues;
- considers our delivery performance against our Corporate Plan in quarter 2 of 2008/09;
- considers our financial position as at September 2008 and forecast for 2008/09;
- notes that there are no delegated matters requiring Board approval.

## **3. Report**

### **3.1. Strategic Issues**

3.1.1. Annex 1 provides a summary of the strategic issues listed below. The Chief Executive will provide a verbal update on the current strategic issues at the meeting, including:

- Implications of new Department of Energy and Climate Change;
- Climate Change update;
- Uplands conference;
- Update on Marine Issues;
- NAO SSSI VFM study;
- Stakeholder and Staff Surveys;
- Uplands Entry Level Stewardship Scheme;
- Environmental Stewardship European Accreditation Scheme;
- PR09;

- Planning Bill;
- Lake District and Yorkshire Dales National Park Boundary Reviews.

### 3.2. Delivery on our Corporate Plan

3.2.1. A summary of our overall performance to the end of September is provided in the balanced scorecard attached in Annex 2. This is the first report we have produced using the new Corporate Performance Management System to evidence our performance.

3.2.2. At the end of the 2nd quarter review of our 35 targets, none were red, 17% were amber red, 32% were amber green and 51% were green. 74% of our targets are currently scheduled to have been delivered by the end of the financial year. The table below details the results by strategic outcome and for Distinctive Public Body (DPB).

	Red	Amber/Red	Amber/Green	Green
<b>Outcome 1</b>	0	1	0	5
<b>Outcome 2</b>	0	1	0	4
<b>Outcome 3</b>	0	2	2	2
<b>Outcome 4</b>	0	1	0	5
<b>DPB Creating Environmental Leadership</b>	0	0	3	1
<b>DPB Delivering our Business</b>	0	1	3	0
<b>DPB Building Capability</b>	0	0	3	1
<b>Q2 Totals</b>	<b>0</b>	<b>6</b>	<b>11</b>	<b>18</b>
<b>Q2 %</b>	<b>0</b>	<b>17</b>	<b>32</b>	<b>51</b>
<b>Q1 Totals</b>	1	4	18	12
<b>Q1 %</b>	3	11	52	34

3.2.3. Key issues affecting our overall delivery at the mid year review were the:

- Lower than expected renewals of classic schemes and take up of HLS and ELS which impacts on the achievement of biodiversity, SSSI and securing good environmental land management targets, and;
- Shortages of key skills and resourcing pressures on marine, land management, climate change and energy.

#### Delivery on Outcome 1

3.2.4. We are still on track with SSSI delivery at the mid year point but the total area covered by regional delivery agreements is 0.3% short of the target area to deliver 89% in favourable or recovering condition by the end of the year. The last 1% of this delivery is seen to be very high risk and may slip into 2009/10. We are looking at whether we can bring forward agreements into 2008/9 and will explore opportunities for working with national stakeholders to influence the delivery of the large area agreements planned for Quarter 4. We are implementing a condition assessment improvement programme, focusing on units overdue for assessment.

- 3.2.5. We are on track to deliver the planned species recovery biodiversity target but there remains some key challenges for habitat recovery due to dependencies on: classic scheme renewals; uptake of ELS and HLS with biodiversity options; and the need to improve profiling of the target across the year. In the second half of year there is a major launch of Countdown 2010, a wetland vision, and landscape scale biodiversity projects which coincide with the UK BAP reporting round.
- 3.2.6. The draft plan to deliver the target for a network of Marine Protected Areas by 2011 is at amber/red now and red in outlook for the rest of the year. This is due to a shortage of key skills which has impacted on delivery of offshore SACs and SPAs. We are rebalancing resources to improve delivery of the target by the end of year.
- 3.2.7. The first new-style AONB Management Agreements are under negotiation. There is a risk that a small number of the 36 AONB partnership agreements will not be completed by the March 2009 deadline.

#### Delivery on Outcome 2

- 3.2.8. Current performance for all Outcome 2 targets is green, except for our NNR target, which is amber red. This is due to the planned work to deliver higher levels of visitor access and use at NNRs being slightly behind profile as a result of resourcing issues. These have now been overcome and the milestone will be delivered in Q3 to get the delivery of this target back on track. A further 08/09 milestone for our NNR target (agree a vision for Champion NNRs and develop business plans for 3 of these in 08/09) has already been met.
- 3.2.9. All targets for Outcome 2 have an outlook to the end of the year of green or amber/green except one: increase understanding and appreciation of the natural environment. This is amber/red as we do not yet have the evidence base in order to establish baseline awareness levels among target audiences.

#### Delivery on Outcome 3

- 3.2.10. Current performance on the marine licensing framework is at amber/red. This is because the target is being expanded to include statutory consultation outside designated sites. Target delivery will be back on track by the end of year and the outlook is amber/green.
- 3.2.11. All the targets have a green or amber/green outlook with the exception of two targets: securing good environmental land management; and standards to protect the marine environment, which are at amber/red. This is due to lower than expected renewals of classic schemes and uptake of HLS and ELS, and for the marine target, the underlying issue is about the skills gap which we are seeking to address.

#### Delivery on Outcome 4

- 3.2.12. All of the targets under Outcome 4 are on track except for one: establishing a robust evidence base. This target is amber/red due to a shortage of specialist skills in climate change and energy, which we are seeking to address.

### Delivery on Distinctive Public Body

#### Creating Environmental Leadership:

3.2.13. All of the targets within this outcome were at amber/green or green at the end of September and the outlook is for amber/green or green by the end of the year.

### Delivering our business

3.2.12. We are on track to deliver our £5m efficiency target. Current expenditure is within 5% tolerance, and pay pressures have been addressed. The sustainability target is currently amber/red because the in-year measure of our progress on this target was not available at the end of September. However, a significant number of actions have been completed and we are confident that the target for the end of the year will be amber/green. The customer services target is currently amber/green and the outlook is amber/red because there are challenges to fully implementing customer service standards across all teams by March 2009.

### Building Capability

3.2.13. All four targets are currently amber/green or green now and for the end of year outlook. Executive, Manager and Team Leader training is underway. Overall, the 2008 staff survey results show a positive shift in staff views of how we operate and how they feel they are treated.

3.2.14. At the mid year point, six priority targets were identified as needing significant focus and are being reported on monthly:

- Protected landscapes;
- Biodiversity;
- SSSI;
- Draft plan for Marine Protected Areas by 2011;
- Secure good environmental management across the landscape;
- Sustainability and reduction in carbon emissions

### 3.3. Corporate Plan 2009 to 2012

3.3.1 We received Defra's priorities for the Corporate Plan 2009 to 2012 on 8 October. This confirms their support for the direction of travel and outcomes and targets agreed in the 2008 to 2011 Corporate Plan and Strategic Direction. Their top priorities for Natural England remain the effective and timely delivery of Environmental Stewardship, including the new Upland Entry Level Scheme, support for PSA 28, in particular by completing the target for SSSI site condition, and support for Defra's work on the Marine Bill and identification of Marine Protected Areas. They are also keen to see Natural England working in partnership and collaboration at a regional level; and also

with Defra network bodies including the Environment Agency and Forestry Commission.

3.3.2. We have started the internal corporate planning and budgeting process and we will update the December Board on progress and emerging issues. The draft 2009/12 Corporate Plan will be considered at the February Board with a target of Ministerial sign off before the 31 March 2009.

#### 3.4. Financial Position

3.4.1. Annex 3 sets out the financial performance for the first six months to the end of September. This shows a net revenue spend of £86.9m against a profiled budget of £87.3m resulting in an underspend of £0.4m (0.5%) which is within agreed tolerances. Although the year to date underspend is not significant our budget profile is weighted to the second half of the year and therefore we have challenged teams as part of the Quarter 2 review process to ensure plans are in place to deliver the programme spend by March. At this stage of the year we have only spent 42% of our revenue budget compared with 50% that could be expected if the budget was evenly profiled.

3.4.2. Our cumulative capital spend amounts to £1.1m against a profiled budget of £0.3m, this small overspend is entirely due to the profiling of the budget. We are not planning to overspend our capital budget which is largely allocated to Estates and IT programmes. The total net revenue amount committed and spent after six months amounts to £176.2m (this figure includes salary costs and Corporate Services recharges) which is 85% of the annual budget. We are forecasting to be on target and meet our Grant in Aid budget.

3.4.3. Our RDPE performance for 2008/09 spend against commitments already made shows us to be 3.5% ahead of our equivalent performance in 2007/08, and 55% of the planned budget has already been spent by 30 September 2008. However, there is a significant challenge to utilise the full year budget due to lower than expected ELS take up, agreements with capital scheme commitments for 2008/9 that have not been undertaken and claimed and limited opportunities to increase capital expenditure on existing agreements.

3.4.4. Following a full review of options and actions we have agreed with Defra to reprofile £10m of UK Exchequer funding into future years. We are disappointed that we cannot commit the entire allocated budget in 2008/09, but better we identify this at an early stage in the financial year. Part of the reason for this is that we have improved our intelligence gathering around in-year spend. Traditionally, the under spend has always been identified late in the financial year mainly as a result of agreement holders not undertaking and/or claiming for capital works. This year, we have contacted each of them individually.

3.4.5. There are two major reasons for the outturn being lower than budget. Take up of ELS agreements in 2007/08 was less than that budgeted - it was assumed that the total agricultural area of land under ELS would be 60% by end-March 2008. A planned promotion campaign in order to help achieve that was cancelled at Defra's request. At the end of March, only 52% of land was under ELS. That would have meant an under spend of £9m (UK) in 2008/09. There has always been an under spend on Classic schemes with capital commitments because agreement holders do not complete the planned works. We have sought to mitigate the impact of that by contacting those

agreement holders to ascertain whether or not they have the work in hand. As a result we have identified that we would under spend around £8m by the end of the year. With some smaller amounts added to these from changes to co-financing on classic and energy crops schemes we were facing a total under spend at the beginning of this year of around £20m (UK). We have managed that down by half as a result of various actions but we have concluded that there will still be an under spend of £10m (UK) at the end of the year.

- 3.4.5. We are £8.2m (6%) behind our planned profile this year in respect of the commitments being made for 2009/10 expenditure. Specific actions are planned and in progress to address Classic Scheme renewals, capital project spend and HLS and ELS take up to remedy the underlying position for 2009/10.

### 3.5. Transfer of Genesis to Natural England

- 3.5.1. We took a briefing paper on the benefits and risks surrounding the operational transfer of Genesis to Natural England to the September Audit and Risk Committee. The Committee endorsed the approach and the management of the risks surrounding the transfer. Currently we are negotiating the Heads of Agreement with Defra and the detailed support contract with ATOS. The approval of the transfer through the Heads of Agreement is a Board matter under the Non Financial Scheme of Delegation and we will therefore be bringing a separate paper to the December Board once negotiations have been finalised.

### 3.6. Shared Services Directorate

- 3.6.1. We briefed the September Audit and Risk Committee on the proposed recommendation to the Defra Management Board to overturn the decision taken in January to seek an external partner to provide SSD services and agree that shared services should be delivered internally through SSD with reimplementing of oracle and business improvements delivered by IBM. We were the only customer who would not support this recommendation. Our concerns were that the proposed solution would not significantly reduce costs and from a benchmark review it was possible to reduce them by £1m (20%) and we would not see improvements to the service from new thinking, new technology, better processes and skilled resources.
- 3.6.2. We have met with the Ian Watt, Defra Director General for Finance and Commercial Group and Neil Serjeant, Chief Executive of SSD to discuss the outcome of the Defra Management Board meeting. The Management Board did not agree to the internal option as they did not regard SSD as a Defra core competence and wanted to externalise the service. We agreed at the meeting with Ian Watt to a two tiered approach:
- working with SSD on key processes that we had benchmarked as being particularly poor value for money to obtain the efficiencies through reducing staff time and cost that we were seeking with some reduction in recharges so that we achieved the benchmark costs; and,
  - Natural England would continue to carry out market testing to secure service improvement and we would keep SSD informed of our progress on this as potential outsourcing option for SSD.

3.6.3. A further meeting is planned at the end of October and a paper on progress will be discussed at December Audit and Risk Committee.

3.7. Delegated matters for Board approval

3.7.1. There are no matters which require Board approval at this meeting.

## **Annex 1**

### **Strategic Issues Briefing**

#### **1. Implications of new Department of Energy and Climate Change**

The Department of Energy and Climate Change (DECC) has been established by bringing together policy responsibility for energy (formerly with BERR) and climate change (formerly with Defra) to give an even greater focus to solving the twin challenges of climate change and energy supply. The change means that the Department responsible for meeting the nation's climate change targets also has responsibility for the major areas of delivery, and that policy to develop affordable, secure and sustainable energy will be taken forward in an integrated way. The Secretary of State for Energy and Climate Change is Ed Miliband. Moira Wallace is the acting Permanent Secretary for DECC.

About 400 staff from Defra's Climate Change Group will be moving over to the new Department. International climate change, national climate change and radioactive waste along with the Office for Climate Change will all be moving to DECC.

DECC will work with Defra and BERR around adaptation, sustainable consumption and production, farming futures, water and biodiversity with Defra and around the links to creating an effective environment for growth with BERR.

Adaptation (including the development of the National Risk Assessments, Statutory Guidance, and policy frameworks) remain within the Adapting to Climate Change team which is staying put at Defra. The new department has been tasked with bringing clearer focus on mitigation of climate change through renewables, target setting to 2050, and delivery of the Renewable Energy Strategy (RES).

The urgency of this refocusing may exacerbate existing tensions between resourcing mitigation and adaptation. It may also make it harder to press home the need to include other green-house gases in the implementation of the Climate Bill which are best tackled through better land management practices. Defra are now being won over to this view (and the potential for domestic offsetting schemes to fund landscape scale restoration and adaptation) but mitigation's move to DECC requires that we cover the ground with staff there too.

The entire renewables team are being moved en masse from BERR to DECC, giving DECC twice as many renewable energy posts as climate change ones from Defra. We will retain the same contacts as when they were part of BERR, so at an operational level, there will be little day to day change. The degree to which the team will be open to our position on the RES remains to be seen, though the response to RES by the Government's own Renewable Fuels Agency echoed our points on the need for a sustainable renewables industry, and much greater emphasis on and more incentives for community scale and micro generation of power and energy.

We need DECC to take a more considered approach and recognise the need for integrating climate change, energy security, environmental protection and social justice within common solutions rather than assuming there is a conflict or there will be trade-offs.

## **2. Climate Change update**

The Bill team are aiming to gain Royal Assent for the Bill by the end of November 2008, and the current Bill team remain intact and currently within Defra. The Bill is unlikely to change significantly at this relatively late stage, although it is possible that in the light of the new Department, Government may try to resist calls to strengthen the Adaptation Sub-Committee and may try to refocus Parliament's mind on the mitigation aspects of the Bill, though this would be met with substantial opposition from all sides of the House.

## **3. Uplands conference**

Natural England is hosting a conference *A mountain to climb? Tackling climate change in the uplands* on 14 November in Leeds. The audience will be senior representatives from the public, private and academic sectors covering environment, business and land management who contribute to the future of the uplands. All Board members have been invited.

All our pilot climate change character area reports will be launched to the media on the same day.

## **4. Update on Marine Issues**

### Marine Bill

Government published its response to the pre-legislative scrutiny and consultation on the draft Marine Bill on 25 September 2008, setting out how Government intends to take forward the draft Bill in light of the issues raised in pre-legislative scrutiny. Many of the key issues raised by Natural England, particularly in relation to the marine conservation zone (MCZ) provisions, will now be addressed on the face of the Bill. Overall, the proposed amendments to the Bill are a positive step forward and reflect the effort that Natural England (and others) have put into the consultation and pre-legislative scrutiny processes. The key outstanding issues for Natural England are that the proposed new duty to designate should be placed on Natural England rather than the Secretary of State, there should be a timescale for decision-making in individual site designations and public authorities should be required to have regard to advice given by Natural England. We are also concerned that it is not yet clear who will be responsible for prosecuting the general offence of damaging or destroying a MCZ. In our White paper response we said that this should be Natural England.

Government's response on coastal access is also generally in line with our own thinking, in particular on the important issues of appeals and compensation. The Government has decided not to amend the parks and gardens exemption (as we argued it should), but it makes a positive commitment to look in more detail at what is meant by the terms, which we welcome.

It is not yet certain that the Marine Bill will be included in the Queen's Speech on 3 December due to the weight of the legislative programme for the next session. However, Defra is working to have the Bill prepared and ready for introduction early in the next session.

## SACs and SPAs

Natural England is required to establish and maintain new off-shore Special Areas of Conservation (SACs) and Special Protection Areas (SPAs) in the 0 to 12 nautical mile (nm) waters of England. These sites will help to complete the marine SAC and SPA (Natura 2000) network which in itself is critical component in completing the Marine Protected Area (MPA) network by 2012.

By July 2010 Natural England will make formal recommendations to the UK Government to designate the SACs and SPAs. This will be preceded by a period of informal and then formal consultation. In parallel JNCC are also progressing the marine Natura 2000 network for the offshore areas of the UK (beyond 12 nautical miles).

## **5. NAO SSSI VFM study**

We have continued to work closely with NAO on their Value for Money (VfM) study of SSSI. The report has been through several draft stages and we have commented extensively on each one. We are expecting to receive the final version for sign off by the Accounting Officer in the middle of October and publication is planned for the 29 October.

The report is now entitled "Natural England's role in improving the condition of SSSI" and it is expected to focus on three areas:

- Progress against the 2010 target;
- Working with landowners/ occupiers;
- The costs of maintaining progress post 2010.

## **6. Staff and Stakeholder Surveys**

### Staff Survey

The annual Staff Survey was undertaken over a three week period closing at the beginning of October. This year 76% of our people took part in the survey which is slightly down on responses in 2007(80%), but still well above the industry norm of 60%. In addition to the annual survey we also undertook a pulse survey in April 2008 (58% response) to provide an interim assessment of improvement by focusing on 20 keys questions.

Overall the 2008 results show a positive shift in our people's views of how we operate and how they feel they are treated. The response profile is characterised by a greater number of people registering a neutral rather than a negative response particularly where the percentage of positive responses is relatively low. This contrasts with the more polarised results of the previous survey. Some of the questions are measures of success set out in our 2008/9 Corporate Plan. Although not the only measures, they are valuable indicators of performance:

### Creating Environmental Leadership

- 60% of our people are confident in advocating our purpose (2007 33% Pulse 59% target 75%)

- 32% of our people are confident in advocating our policies  
(2007 16% Pulse 25% target 35%)

### Building Capability

- 20% of our people agree that the Executive listen  
(2007 5% Pulse 25% target 35%)  
(Note Question changed in 2008 and is now covered by My Executive Director Listens (20% and My Director (ELG) listens 37%).
- 60 % of people saying my team is well managed  
(2007 44% Pulse 52% target 65%)
- 83% of people understand how their work contributes to our objectives and targets  
(2007 69% target 75%)
- 35% of people say that they have a strong sense of belonging to Natural England  
(2007 15% Pulse 22% target 35%)
- 42% people report that their performance has improved as a result of the skills developed  
(2007 28% Pulse 36% target 42%)

### Performance Management

- 93% of People have Personal Performance Agreements (2007 81%)
- 92% of quarterly performance conversations held (2007 81%)
- 83% of people have Personal Development Plans (2007 68%)
- 55% Understand my team's Delivery Agreement (2007 46%)
- 50% my learning & development is regularly reviewed (33%, Pulse 49%)
- 48% I understand how my performance is measured (2007 44%, Pulse 52%)

### Perception of Natural England

- 39% are proud to work for Natural England (2007 21%)
- 58% are satisfied with Natural England as a good place to work (2007 27%)
- 38% would recommend Natural England as a good place to work (2007 17%)
- 49% believe action will be taken on issues identified in this survey (2007 20%, Pulse 51%)
- 44% indicated their morale is good (2007 21%)
- 61% feel their current pay and benefits are reasonable In comparison with people in similar jobs 61% (2007 46%)

- 71% are satisfied with their physical environment (2007 68%)
- 78% are satisfied with the Health and Safety provision (2007 75%)

The detailed results from the survey will be available to the Board in December. They will be shared with our people at the beginning of November via a Staff Notice and during our Staff Conferences. A further pulse survey will be conducted in March 2009 to enable us to assess our year end performance against the 2008/9 Corporate Plan Targets

#### Stakeholder survey

After the favourable findings from last year's Stakeholder Survey, which focused on our national advocacy, the fieldwork for the repeat survey in 2008 focused on our profile and positioning with regional and local audiences. The initial findings from this survey are also extremely positive. A total of 183 Natural England senior regional stakeholders (and a further 11 national stakeholders) were interviewed by Mori between 3 - 30 September 2008. Key findings from the initial top-line quantitative results are as follows. These are initial results and may be subject to change in the final report (the verbatim qualitative results are not yet available) :

#### Favourability/familiarity

- 91% know us very well/fair amount
- 64% are mainly or very favourable towards us

#### Performance

- 49% think our performance has improved in the last year (only 6% think it worse).
- 70% rate our performance as very or fairly good at a regional level.
- 71% tend to strongly agree/tend to agree we have clear aims and objectives. (As many as 28% strongly agree)

#### Our people are a key strength

- 85% show passion for delivering environmental outcomes
- 85% show a very good/fairly good attitude towards stakeholders
- 76% communicate our core purpose very or fairly well and 72% our top priorities
- 65% know their account manager and 68% of these find them very or fairly useful

#### Understanding respective roles

- 95% of stakeholders understand our role

- 79% understand our policies
- 80% think we understand their organisation
- 83% think we understand policies of mutual interest.

#### We are trusted and take evidence based decisions

- 75% say they trust what we say
- 71% say that we take evidence-based decisions
- 69% that we provide clear evidence on what is happening in our natural environment and on future threats

#### Our information

- 68% consider we provide easy to understand information on their activities.

#### Easy to work with

- 66% think we are fairly or very easy to do business with
- 76% say we listen to them

However, the findings do present some challenges, including

- We are best known for our work on Designated Areas (by 47% of respondents ), but only 6% recognising our involvement in regional spatial planning and regional policy frameworks
- There is a significant body of opinion (50%) that considers we are not a go-ahead, confident and active organisation
- We are not beyond criticism, with 26% prepared to be critical of us if asked their opinion

The full details of the Stakeholder Survey, including analysis, will be made available in advance of a presentation on the reputation tracker by Sir Bob Worcester of MORI at the December Board Briefing

## **7. Uplands Entry Level Stewardship Scheme**

The uplands have high landscape, biodiversity and cultural value, and are also important water and carbon capture resources. But their agricultural value is low and the farming that supports the landscape is not viable without support. The current support, Hill Farm Allowance (HFA), will be phased out in 2010 to be replaced by Uplands Entry Level Stewardship (UELS) which offers a similar total level of support to HFA (£24m per year at 80% take-up) in exchange for environmental benefits. There is concern in parts of the uplands farming community that UELS will not provide the support that HFA has. Overall, UELS funding should be similar to HFA, but will require environmentally beneficial land management. Natural England believes that environmental benefits achievable in the uplands can justify support significantly *above* these levels. To provide this additional support, we will promote

and advise on UELS to maximise take-up, include dairy farmers who were not eligible for HFA and provide substantial higher level support targeted through HLS.

## **8. Environmental Stewardship European Accreditation Scheme**

We have a possible emerging issue over the interpretation of an EU Accreditation and Control Regulation, which could have significant implications for the way we deliver Environmental Stewardship. We understand that the European Commission is planning to write to us shortly, to question whether the Regulation (which is focused primarily on Pillar I schemes like the Single Payment Scheme) requires Environmental Stewardship to have a single, annual application and claim date, rather than the monthly application and claim dates we currently operate to. The benefit, from an EU control perspective, would be that all applications and claims under Pillar I and Pillar II could be assessed at the same time, maximising the chances of detecting anomalies and deliberate attempted fraud. This approach would, however, fundamentally challenge the current delivery model for ES.

We must await the expected letter before we can be clear over the Commission's thinking, but our robust defence of our current delivery approach would be that our processes and controls provide a level of assurance at least equivalent to the control afforded by the annual application/claim approach. We will develop an engagement strategy with Defra and the Commission, if necessary, when the anticipated letter is received. We shall need to ensure that Defra and the RPA (as the Accredited Paying Agency, i.e. the body with the formal relationship with the Commission over the control of EU funds in England) are fully behind us.

## **9. Water Company Pricing Review 2009 (PR09)**

The Water Companies published their draft business plans on 11 August. We presented a successful joint Ministerial briefing with Ofwat, the water industry regulator, and the Environment Agency on 9 September; our first joint briefing with Ofwat.

We sent our formal national responses on the content of the plans to the Environment Agency on 19 September, to Ofwat on 3 October and have shared our views with Defra. Formal regional responses to each water company will all be sent by 17 October and meetings are now underway with companies to discuss our comments.

We are and will continue to work closely with the Environment Agency, Ofwat, Defra and key water companies over the next few months leading up to the production of final business plans in April 2009.

Highlights from the content of the plans:

- The cost of capital and rising cost of energy are a significant issue for setting price limits in this round;
- Most company plans include the statutory requirements for the natural environment that we were looking for. There has been a mixed response to delivery of wider objectives, with just under half the plans including additional work for biodiversity, landscape, access and recreation;

- We have found the results of the cost benefit analysis difficult to interrogate and are concerned about the challenges that Ofwat may make to company plans;
- We are really encouraged that over half the company plans contain catchment management proposals to tackle problems at source. We produced a joint report with the Drinking Water Inspectorate summarising these schemes for Ofwat's CEO meeting in September;
- We believe very few plans are adequately addressing the water efficiency requirements that will be needed in the longer term.

## **10. Planning Bill Update**

The Committee stage of the Planning Bill resumed in the Lords in early October with Opposition parties maintaining their in principle objection to the independence of the Infrastructure Planning Commission (IPC). Some concessions seem likely if the Bill is to complete its passage before the end of the current session of Parliament.

Government Departments are progressing work on National Policy Statements for major infrastructure and on the package of statutory instruments and guidance needed to establish the Infrastructure Planning Commission. The recruitment process for the IPC Chair and Commissioners is also underway.

We are continuing to focus efforts on influencing the preparation of National Policy Statements for major infrastructure, particularly those for nuclear and energy which are being prepared first. We will also be inputting to relevant statutory instruments and guidance to the IPC and promoters. In addition, we will be providing advice to project promoters who are likely to start consulting us on schemes from early 2009.

## **11. Lake District and Yorkshire Dales National Parks Boundary Reviews**

Further work on these boundary reviews is awaiting a decision on the South Downs National Park. We will then assess the implications of that decision on our approach to National Park designation and review the work, led by the North West regional team, to ensure that it is consistent with our policy and approach. It is anticipated that a decision on the South Downs National Park will be made in April 2009.