

Natural England Board



Meeting: 11

Date: 25 June 2008

Paper No: **NEB PU11 03**

Title: **Chief Executive's report**

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

1. Purpose

1.1. The purpose of this paper is to advise the Board on current strategic issues and give an update on the financial performance. It should be noted that a full performance report is not due at this meeting given that we have not reached the end of the first quarter.

2. Recommendations

2.1. It is recommended that the Board:

- advise on our current strategic issues;
- note the financial outturn for Natural England at 31 March 2008 and the progress on the report and accounts; and
- consider the financial position at 31 May 2008.

3. Report

3.1. Strategic Issues

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

- Legislation update;
- PR09;
- CAP health check including set-a-side;
- Character Area pilots;
- Renewable energy including wind maps;
- Strategic Direction and Corporate Plan.

3.2 2007/08 year end and audit

- 3.2.1 There have been no changes to the revenue position for 2007/8 reported to the April Board where we created a VER/VES provision of £8.4m and met our Grant in Aid budget. We reported a forecast underspend on capital of £0.4m at the last meeting but we have now, following final year end adjustments, reduced this to £0.2m. Consequently for the second year running we have spent to budget which is an excellent performance.
- 3.2.2 The audit of the report and accounts for the year to 31 March 2008 commenced on 12 May 2008. The report and accounts have been reviewed by the Christopher Pennell and Ian Scott in their capacity as Chair of the Audit and Risk Committee and independent member of the Audit and Risk Committee respectively on 2 June. The audit field work was completed on site on 6 June in line with the plan. We are on time to lay the report and accounts in Parliament before the summer recess

3.3 Budget for 2008/09 and performance to 31 May 2008.

- 3.3.1 Following agreement of the budget and budget strategy at the April Board meeting, we have written to key stakeholders and given three year budget commitments. This has been well received as it gives budget certainty to partners helping deliver the outcomes in our Corporate Plan. The budgets for the current year including additional funding for Biodiversity, Marine, landscape and Energy have been allocated to targets and devolved to teams.
- 3.3.2 Annex 1 sets out the financial performance for the first two months of the financial year. The position to the end of May 2008 shows a net revenue spend of £23.7m against a profiled budget of £25.1m resulting in a cumulative variance of £1.4m (5.5%). Our cumulative capital spend amounts to £55k against a profiled budget of £40k, this small overspend on capital is not material at this stage. The total net revenue amount committed and spent after two months amounts to £135.9m (this figure includes salary costs and Corporate Services recharges) which is 69% of the annual budget.
- 3.3.3 Our RDPE performance for 2008/09 spend against commitments already made shows us to be 2% ahead of our equivalent performance in 2007/08, and 33% of the planned budget had already been spent by 31 May 2008. We are only £2.3m (1.6%) behind our planned profile this year in respect of the commitments being made for 2009/10 expenditure. We are taking actions to ensure teams deliver these RDPE targets.

3.4 Provision of Services by Defra Shared Services Directorate (SSD)

- 3.4.1 Natural England commissioned a report from independent consultants to examine the existing SSD service and look at options for future service provision. The report concluded that the services we receive from SSD do not represent good Value for Money. We have produced an improvement action plan with SSD to seek to address each item outlined in the reports recommendation's. SSD services continue to show monthly improvements as measured by the KPI's in our service level although control issues remain.
- 3.4.2 Following the decision of Defra Management Board to procure a strategic partner for Shared Services, SSD have set up a project called Synergy with tender award planned for Summer 2009 and implementation in early

2010. Natural England is represented on the project board by Executive Director for Corporate Services. There are clear overlaps between Project Synergy and our improvement action plan and we are currently seeking SSD commitment to the Natural England improvement plan and getting clarity on the resources required by Natural England to help deliver project Synergy to ensure that we secure an efficient and effective new supplier.

3.5 Transfer of Genesis to Natural England

- 3.5.1 Defra have included Genesis at a value of circa £80m in their accounts at 31 March 2008. We are now awaiting the outcome of the NAO's audit of this valuation (as the benefit of the system to Natural England is much lower) before progressing the transfer of Genesis and support contracts into Natural England.