

Natural England Board



Meeting: 9
Date: 13 February 2008

Paper No: **NEB PU09 02**
Title: **Chief Executive's report**
Sponsor: **Dr Helen Phillips, Chief Executive**

1. Purpose

The purpose of this paper is to

- Report on our current strategic issues, delivery against our Strategic Direction and our financial performance.
- Report on approvals given by the Chair under delegated authority since the last Board meeting

2. Recommendations

2.1. It is recommended that the Board:

- Advise on our current strategic issues;
- Consider our performance of delivery against our Strategic Direction;
- Consider the financial position for Natural England as at the end of December and forecast for 2007/8.
- Notes that approval was given by the Chair on 24 January, under delegation from the Board, to sign a protocol between Natural England, Defra and the Big Lottery Fund regarding the £25m Access to Nature Grants Scheme.

3. Report

3.1. Strategic Issues

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

- CSR and Budget issues;
- meeting on 29 January with Secretary of State on performance review;
- PRO9;

- Marine Bill;
- Climate Change Bill;
- BAP;
- transition programme including update on staff survey action plans;
- stakeholder survey.

3.2. Delivery on our Strategic Direction

- 3.2.1. At our third quarter review of our 63 targets none were red, 80% were amber and 20% were green. Overall, we are scheduled to deliver on 90% of our targets by the end of the financial year. A summary of our overall performance to the end of December is provided in the balanced scorecard at Annex 1.
- 3.2.2. For Outcome 1 we expect to deliver all our targets. Although we have secured agreement with Defra to a revised target of 81.5% of SSSI in favourable or recovering condition by the end of March 2008, we expect to be close to achieving the original target of 83%. We are making good progress on our BAP species and habitat targets but will be dependent on Classic scheme renewals into environmental stewardship schemes. Latest data (up to 2006 breeding season) suggests no statistically significant change in the smoothed Farmland Bird Index since 1999. The levelling-off of the Index, at 55% of the 1970 level, has been largely driven by increases in generalist species, although a few declining species are now starting to increase. Further improvements in targeting of environmental stewardship are needed to secure improvement in condition of Corn Bunting and Turtle Dove.
- 3.2.3. Delivery on Outcome 2 is largely on track with 86% of targets expected to be delivered by the end of the financial year. Maintenance of National Trails and Bridleways is on schedule. We will be involving stakeholders in a review of National Trails early in the new financial year. Good progress has been made with the Access to Natural Green Space target with 24 projects in place.
- 3.2.4. We are currently on track to deliver all of our targets in Outcome 3. RDPE implementation requires the removal of management plans from 1800 agreements. Active promotion of ELS in target areas stopped at Defra's request. 51% of agricultural land is currently under environmental stewardship agreement; the drive to increase area will resume post environmental stewardship review. Successful migration from ERDP to RDPE puts us in a good delivery position for next year. Processes to better manage our response to planning casework are now in place.
- 3.2.5. For Outcome 4, 92% of our targets are on track for delivery by the end of the year. Of note is the production of a draft climate change strategy for one of the JCA pilots which will provide the template for the production of the remaining pilots. Uptake of the Energy Crops scheme has been particularly slow (5 out of expected 125), the increase in cereal prices and other factors makes it a less attractive economic alternative. Developing a framework to assess the cumulative impact of development on the natural environment is less well advanced than we would wish.

3.2.6 In relation to our development as a distinctive public body, the Transition Programme is providing a strong focus for our delivery. Staff have responded positively to the pay award offer and it was successfully implemented in December pay. The results of our stakeholder survey are very encouraging for this stage in our development as an organisation and provides a good base to improve further especially in the pace of development of our policies and in improved consistency in regional engagement. Two other areas of corporate performance which are a priority are our financial performance (see below) and our development of partnerships, in particular the delivery of regional account management.

3.2.7 At the mid year review, ten priority targets were identified as needing significant focus – all bar partnership management are on track for delivery by March 2008. At the third quarter, nine priority targets were identified as needing significant focus:

- designated areas;
- access to the natural environment;
- national trails and bridleways;
- cumulative impact of development on the natural environment;
- knowledge strategy;
- partner management;
- internal communications;
- regulation;
- sustainable working.

3.3. Financial position at 31 December 2007 & Forecast Outturn for 31 March 2008

3.3.1. Annex 2 sets out the financial performance for the nine months to the end of December. This shows that Natural England is now £10.5m (7.4%) behind our profiled budget spend at this stage with £186m (88%) of the gross annual budget committed including our staff costs. This compares with the situation at the end of November when 82% of the budget was committed. To put the spend to date in context £135.1m (62%) of the gross budget before income has been actually spent at the end of December against a profiled budget of £146.8m (68%). The provision we are making for voluntary redundancy costs will ensure that we will meet our Grant in Aid Budget in full.

3.3.2. We have completed our review of our finance's in conjunction with the Quarter 3 reviews. In the course of the reviews £5m of handbacks were made by teams of which £2.5m came from the pay budget. There are a number of areas of spend that we are still following through from the reviews and a minimum of £3m is still expected to be found, bringing the total underspend to £8m which can be used for redundancy provision. We will look at our uncommitted spend of £15m to see what further opportunities are available to top up the voluntary redundancy provision to minimise this funding impact in 2008/9. We estimated in the board paper that we would need a provision between £9m and £11m. This provision will need to be agreed with National Audit Office, Defra & possibly Treasury.

We continue to negotiate with Defra regarding our GIA settlement for 2008/09. This is not expected until the end of February and we have been advised that they continue to actively consider a further 5% cut.

3.3.3. Natural England manage the agri-environment budget under the RDPE while Defra retain overall Programme budget responsibility. Defra have yet to confirm formal delegated budgets under the RDPE with the final position bound into Defra's CSR negotiations. The total sum for the period 2007 – 2013 is secure but we continue to have discussions on the profiling of the budget over the period.

3.3.4. We continue to manage and monitor SSDs performance closely. We have a monthly service meeting to go through their KPI's. The latest set of these are for December 2007. These show in general service levels improving as management focus and the benefits of the service recovery and improvement plans kick in. The service recovery plan has largely been completed and we are expecting to sign this off by the end of January:

- Percentage of suppliers paid within credit terms 94% (target 85%)
- No of calls answered by call centre within 20 seconds 72% (target 100%)
- Percentage of abandoned calls 5% (target <10%)
- Percentage of suppliers set up within 3 days 95% (target 98%) – performance slipped in December but has since recovered.
- Expense claims paid within 5 days 100% (target 98%)
- Percentage of invoices raised within 3 days 100% (target 98%)
- Percentage of payroll errors detected 0.86% (target <2%)
- Number of complaints received 0.

3.3.5 While this represents significantly improved performance we should not overlook the fact that these performance measures are interim steps falling short of the service we need and expect. We are undertaking a review of SSD service provision for the Audit Committee which will be discussed at their meeting in March. The purpose of the review is to ensure that we have adequate contingency arrangements and that we understand how the cost and quality of the service provided compares to the marketplace.

3.3.6 The December payroll was paid before Christmas to all Natural England employees along with the pay increase and arrears.

3.4. Scheme of Delegation

3.4.1. The Chair approved under sub delegation from the Board on 24 January a protocol between Natural England, Defra and the Big Lottery Fund regarding the £25m Access to Nature Grants Scheme. A signed protocol needed to be in place by 31 January otherwise Big Lottery Fund will not allow the scheme to launch. Consequently approval could wait until this Board meeting.

3.4.2 The protocol is part of the assurance required by the Big Lottery Fund. It sets out the procedures necessary to resolve any disagreement between the three parties brought about by potential conflicts between the requirements of Natural England's Financial Memorandum and the Big Lottery Fund's External Delegations Agreement. The key point of the protocol is that Big Lottery Fund recognises that Natural England's Financial Memorandum will take

precedence over any issues concerning monies from Natural England's Grant in Aid. Similarly, Defra recognises that Big Lottery Funds External Delegations Scheme will take precedence over issues affecting the grant supplied by Big Lottery Fund.

- 3.4.3 The protocol is based on an existing one between the Big Lottery Fund, Department of Culture Media and Sport and Groundwork. It is understood that, so far, there have been no examples of the protocol having to be invoked which damage the host organisation. PWC are undertaking an audit into due diligence actions to ensure that the Access to Nature Scheme is fit for purpose and can launch. The protocol must be signed before the Big Lottery Fund will allow Natural England to implement the Access to Nature Grants scheme