

Financial Summary

Available resources

The principal resource available to English Nature is its people. In addition, the relationship with key partners such as the Environment Agency and the Forestry Commission is vital to the success of English Nature's business. More specifically, English Nature deploys a net investment in fixed assets of some £10 million. Over and above this, as described in the chapter 'Protecting the very best' English Nature manages directly, or through partners, around 90,000 hectares of National Nature Reserves.

Risks and uncertainties

The key risks and uncertainties relate to the transfer of ongoing responsibilities from English Nature to Natural England, rather than directly to the business of English Nature, which is due to come to an end in the autumn with the vesting of Natural England.

In accordance with Treasury guidance a machinery of government change such as this is treated as if business is ongoing. Thus there are no risks to values of assets and liabilities arising directly from the dissolution of English Nature as a business.

Section 6 of the Statement on Internal Control sets out in more detail the impact on English Nature of the lead up to the transfer to Natural England.

Financial position

English Nature is financed principally by Grant-in-aid, including funds earmarked for financing English Nature's participation in the Joint Nature Conservation Committee (JNCC). Significant funds are also received in grants from the EU, National Lottery, contributions from partners and income from National Nature Reserves. Total income for 2005/2006 was £84.7 million, of which £73.1 million relates to Grant-in-Aid with a further £4.9 million for JNCC financing.

Total expenditure for 2005/2006 was £87.5 million. A small surplus of £55,000 is carried forward. £32.7 million of expenditure is deployed on staff costs. £30.4 million is spent on Conservation programmes and payments and grants to support the nature conservation both of Sites of Special Scientific Interest and in the Wider Environment. National Nature Reserve expenditure amounts to £5.7 million and £4.9 million is passed through to JNCC. The remaining £13.8 million relates to overheads and support costs.

Net assets amount to £10.7 million, comprising of £10.2 million fixed assets and £2.1 million net current assets, off-set by £1.6 million provision for early retirement and pension costs. These values include the impact of asset revaluation which maintains book values in line with current prices. This includes the recognition of permanent impairment in the value of computer hardware.

As explained below, the financial position is not affected by the imminent dissolution of English Nature.

Significant changes and the impact on English Nature as a going concern

The significant imminent change in the business of English Nature is its dissolution to be replaced by a new Non-Departmental Public Body, Natural England. This is a "machinery of government" change, implemented through the Natural Environment and Rural Communities Act. As such, the core business of English Nature, although re-engineered within the new operational environment of Natural England, is ongoing.

In these circumstances, Treasury guidance requires the transfer of business between English Nature and Natural England to be accounted for using merger accounting arrangements. This involves the transfer of assets and liabilities at book value as though the business transferred is ongoing. In consequence, although English Nature will be dissolved during 2006/2007, it is appropriate to account for its activities as a going concern for 2005/2006.

A more detailed consideration of what English Nature has achieved, including implications for the future, is given for each element of the business, in the foregoing sections of this Report.

Companies Act Disclosures

Introduction

In addition to the foregoing management summary the Government Financial Reporting Manual requires disclosure of the following matters which relate to the requirements of the Companies Act 1989.

History and statutory background

English Nature was established as the Nature Conservancy Council for England on 5 November 1990 in accordance with the provisions of the Environmental Protection Act 1990, and became fully operational on 1 April 1991. Its formal legal name was changed to English Nature on 31 January 2001.

It is financed by annual grant in aid from the Department for Environment, Food and Rural Affairs, Request for Resources 1. Under Part VII Section 132(2)(a) of the Act, English Nature is empowered to accept gifts and contributions for the purposes of its functions, which are defined in Section 132(2). The financial statements are prepared in a form determined by the Secretary of State for Environment, Food and Rural Affairs (Defra), with the approval of the Treasury.

The Joint Nature Conservation Committee (JNCC) was established on 5 November 1990 by Section 128(4) of the Environmental Protection Act 1990 to carry out the functions listed in Section 133 of that Act. The JNCC is funded on an agreed proportionate basis by English Nature, Scottish Natural Heritage (SNH) and the Countryside Council for Wales (CCW) (see note 1.3 in Notes to the financial statements).

Payment of creditors

English Nature follows the principles of the Better Payment Practice Code. The policy is to ensure that all payments are made by their due date. This policy is known throughout the organisation and there is a formal complaints procedure to enable suppliers' complaints to be dealt with quickly. In 2005/2006, 96.1% of invoices were paid by their due date. No late payment interest was incurred in the year (£1,670 in 2004/2005).

Disabled persons

English Nature observes the provisions of the Disability Discrimination Act 1995 and associated Code of Practice by appointing and promoting on merit. The Code of Practice is applied to English Nature's premises as far as is reasonably practicable, English Nature will make it easier for people to enter and move around its buildings. Special access arrangements are being developed on targeted National Nature Reserves.

Employee involvement

English Nature's management and the Trade Unions (PCS and Prospect) continue to have open, positive and constructive dialogue both through the formal mechanism of the Whitley Council, its General Purposes Committee and its Standing Committees and through the informal partnership-style approach. The close working relationship is based on mutual trust and understanding which, while respecting the sometimes differing priorities of the parties, is highly valued by both, providing, as it does, an increased opportunity to address issues of mutual concern at the earliest opportunity and within an environment that supports both pragmatic and innovative approaches during a time of tremendous change.

Research and development

See note 1.12 in the Notes to the financial statements and the 'Science, information and knowledge' section of the Annual Report.

Financial Instruments

See note 1.16 in the Notes to the financial statements.

Future developments

1 October 2006 is the vesting day for Natural England and at this point English Nature will no longer exist. For further information, please refer to the foregoing sections of the Annual Report and the Statement on Internal Control.

Responsibility for the direction of English Nature

1. Council Members

Each Member of the Council of English Nature is appointed by the Secretary of State for Environment, Food and Rural Affairs, typically for a term of three years. Members may be considered for re-appointment for one further term. Legislation provides for the appointment of up to fourteen Members. At 31 March 2006 there were thirteen non-executive Members including the Chair.

Full details concerning the Members of the Council are given in the Council Members section of the Annual Report on page 77.

On 20 November 2005 Sir Martin Doughty resigned as Chair of English Nature to take up his appointment as Chair Designate of Natural England. Dr. Moser was appointed Acting Chair of the Council on 21 November 2005.

Council Members complete English Nature's Register of Interests which is open for public inspection at its meetings, through the Council's Secretary and as part of this Annual Report. Accountability Statements are in place for the Chair, Council Members and each of the other main roles in the organisation's structure. Four Council meetings take place annually and further workshops and seminars are arranged on topical issues.

2. Management Board

The composition of the management board during the year was as follows:

- Dr A Brown - Chief Executive
- Ms C Wood
- Mrs S Collins
- Dr K L Duff
- Dr A Clements – resigned 26 February 2006
- Mr P Newby
- Dr T Tew – appointed 27 February 2006

Dr Clements transferred to work full time on the Natural England project on 27 February 2006.

Pension Liabilities

For details of available pension schemes and the way in which pensions liabilities are treated please refer to the Remuneration Report, paragraph 1.14 of the Accounting Policies and note 8.3 in Notes to the financial statements.

Corporate Governance

English Nature's corporate governance arrangements are incorporated within the Statement on Internal Control.

Accounts direction

The accounts have been prepared in a form determined by the Secretary of State for the Department for Environment, Food and Rural Affairs with the approval of the Treasury in accordance with Section 128(5) of the Environmental Protection Act 1990. English Nature was issued with its latest accounts direction on 10 April 2002.

Auditor

Under paragraph 21 of Schedule 6 of the Environmental Protection Act 1990, the Comptroller and Auditor General shall examine, certify and report on the statements of account and lay copies of them, together with his report thereon before each House of Parliament.

The cost of work performed by the auditor for audit services and other regulatory reporting in respect of the financial year 2005/2006 is £51,000.

So far as I am aware, there is no relevant audit information of which English Nature's auditors are unaware, and I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that English Nature's auditors are aware of that information.

Dr Andrew Brown
Accounting Officer and Chief Executive

07 July 2006

Remuneration report

Remuneration policy

Senior staff fall into three groups: Council, the Chief Executive and Directors.

Councillors' remuneration is notified to English Nature by Defra. English Nature is not involved in the assessment of performance or the setting of any remuneration levels.

The Chief Executive's remuneration is aligned to the senior civil service. Council recommend what the level of remuneration should be, in line with senior civil service guidance. A pay award is in two parts, an increase that is consolidated and a non-consolidated lump sum bonus, both of which are performance related. The Chief Executive has a permanent contract of employment.

Directors' remuneration is based on the same conditions as all English Nature staff. It is negotiated annually with Trade Union Side. Progression is subject to satisfactory performance, which is assessed through an annual performance appraisal. There is a bonus system whereby up to 10% of staff can receive a 5% non-consolidated bonus, which is recommended by managers and confirmed by the Senior Management Group. Directors have permanent contracts of employment.

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of English Nature's Council and the senior management of the organisation.

Remuneration

	Period of appointment	2005/2006 Salary, Including performance pay £'000	Benefits in kind (rounded to nearest £100) £	2004/2005 Salary, including performance pay £'000	Benefits in kind (rounded to nearest £100) £
Council					
Chairman					
Sir G M Doughty	08.05.01 to 20.11.05	45-50	n/a	65-70	n/a
Acting Chairman					
Dr M Moser*	21.11.05 to 30.09.06	45-50	n/a	35-40	n/a
Council Members:					
Ms S Burton	01.04.05 to 01.05.06	5-10	n/a	n/a	n/a
Dr R Clarke	01.04.04 to 01.05.06	10-15	n/a	5-10	n/a
Mrs L Crowe	01.04.05 to 01.05.06	5-10	n/a	n/a	n/a
Ms S L Fowler OBE	01.04.04 to 30.09.06	10-15	n/a	5-10	n/a
Prof E P Gallagher CBE	01.09.00 to 30.09.06	10-15	n/a	10-15	n/a
Mr S Hockman QC	01.04.02 to 30.09.06	10-15	n/a	5-10	n/a
Mr D Hulyer	01.04.02 to 30.09.06	10-15	n/a	5-10	n/a
Prof M Hart	01.04.01 to 30.09.06	5-10	n/a	5-10	n/a
Prof D Macdonald	01.04.03 to 30.09.06	10-15	n/a	5-10	n/a
Mr C Pennell	01.04.05 to 30.09.06	5-10	n/a	n/a	n/a
Dr A Powell OBE	01.04.01 to 30.09.06	5-10	n/a	5-10	n/a
Mr H van Cutsem	01.04.02 to 30.09.06	10-15	n/a	5-10	n/a

*Dr Moser was a Member of the Council from 01.04.99 until 27.05.04 when he became Deputy Chair. On 21.11.05 Dr Moser was appointed Acting Chair of the Council after Sir Martin Doughty's appointment to the shadow body of Natural England.

Senior Staff

Chief Executive

Dr A E Brown		105-110	n/a	90-95	n/a
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Directors:

Ms C Wood		75-80	n/a	70-75	n/a
Mrs S Collins		75-80	n/a	55-60	n/a
Dr K L Duff		65-70	n/a	65-70	n/a
Dr A Clements **	resigned on 26.02.06	55-60	n/a	60-65	n/a
Mr P Newby		55-60	n/a	55-60	n/a
Dr T Tew	27.02.06 to 30.09.06	5-10	n/a	n/a	n/a

**Dr Clements transferred to work full time on the Natural England project on 27th February 2006.

Salary

‘Salary’ includes gross salary; performance pay or bonuses; overtime and any other allowance to the extent that it is subject to UK taxation. A performance related bonus is included in the Chief Executive’s salary and was determined by Council members up to a maximum of 15% of salary. The bonus for 2004/2005 paid in 2005/2006 was calculated at 13% and totalled £10,847.

This report is based on payments made by English Nature and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by English Nature and treated by H.M.Revenue and Customs as a taxable emolument.

Pension Benefits

		Total accrued pension at age 60 at 31/03/06 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/03/06	CETV at 31/03/05	Real increase in CETV	Employer contribution to partnership pension account
		£'000	£'000	£'000	£'000	£'000	Nearest £100
Council							
Chairman							
Sir G M Doughty	08.05.01 to 20.11.05	10-12.5	2.5-5.0	148	74	42	n/a
Acting Chairman							
Dr M Moser	28.05.04 to 30.09.06	n/a	n/a	n/a	n/a	n/a	6,600
Senior Staff							
Chief Executive							
Dr A E Brown		112.5-115	20-22.5	541	344	89	n/a
Directors:							
Ms C Wood		112.5-115	5.0-7.5	540	404	28	n/a
Mrs S Collins		97.5-100	5.0-7.5	527	394	27	n/a
Dr K L Duff		107.5-110	2.5-5.0	609	475	26	n/a
Dr A Clements	resigned on 26.02.06	55-57.5	2.5-5.0	313	225	22	n/a
Mr P Newby		0-2.5	0-2.5	23	9	8	n/a
Dr T Tew	27.02.06 to 30.09.06	37.5-40	2.5-5.0	140	90	15	n/a

Cash Equivalent Transfer Values (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the members' accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by the pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and other pension details include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The real increase in the value of the CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Dr Andrew Brown
Accounting Officer and Chief Executive

07 July 2006

Statement of Council's and Chief Executive's responsibilities

Under Schedule 6 paragraph 19 of the Environmental Protection Act 1990 English Nature is required to prepare a statement of accounts for each financial year in a form and on a basis determined by the Secretary of State, with the approval of the Treasury. The financial statements are prepared on an accruals basis and must give a true and fair view of English Nature's state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the financial statements the Council are required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether the applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that English Nature will continue in operation.

The Accounting Officer for the Department for Environment, Food and Rural Affairs has designated me, as the Chief Executive of English Nature, as the Accounting Officer for English Nature. My relevant responsibilities as Accounting Officer, including my responsibility for the propriety and regularity of the public finances for which I am answerable and for the keeping of proper records and for safeguarding English Nature's assets, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by the Treasury and published in Government Accounting.

As Chief Executive of English Nature I have responsibilities that, together with the Chief Executives of the Countryside Council for Wales and Scottish Natural Heritage, include that of the Joint Accounting Officer for the Joint Nature Conservation Committee. The Chief Executive for English Nature has, as directed by the sponsoring Departments, the lead responsibilities for the day to day functions of the Accounting Officer of this committee.

Dr Andrew Brown
Accounting Officer and Chief Executive

07 July 2006

Statement on Internal Control

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of English Nature's policies, aims and objectives, set by English Nature's Council, whilst safeguarding the public funds and English Nature's assets for which I am personally responsible in accordance with the responsibilities assigned to me in Government Accounting.

The Council sets English Nature's strategy and overall programme and monitors its implementation. Council also ensures that there is a clear governance process through which its powers and duties are delegated to the executive. English Nature's Corporate Governance Manual, completed in 2001 and regularly updated and revised, sets out the duties and accountabilities of both Council and executive and includes a schedule of delegations through which English Nature's statutory responsibilities are allocated and levels of responsibility established. Council reviews and approves this schedule annually. The terms under which these responsibilities are carried out are set out in the Environmental Protection Act 1990 and in the Financial Memorandum issued by the Department for Environment, Food and Rural Affairs (Defra) which specifies the terms under which English Nature receives and spends funds provided by Parliament.

As part of the process for agreeing English Nature's Business Plan for the period 2005/2006, English Nature carried out written consultations and held meetings with officials at Defra. The issues discussed included English Nature's contribution to delivery of PSA targets, other high-level priorities and targets, corporate level risks and the financial plans. Defra officials, English Nature's Chair and Chief Executive and a Departmental Minister met to discuss significant biodiversity issues, delivery of PSA targets and to confirm the plan. This interaction between English Nature and Defra continued in order to agree the English Nature Corporate Plan for 2005-2008. As English Nature has developed its approach to integrating risk management into planning, this has been reflected in our published plan. English Nature's business is managed through four main programmes and the 2005-2008 Corporate Plan includes information on the three highest risks in each of the programmes and how these are being managed.

As part of the organisational change anticipated for October 2006 (see section 6), English Nature is working in partnership with Defra's Rural Development Service and the Landscape, Access and Recreation Team of the Countryside Agency. The three Corporate Plans for 2005-2008 were harmonised to show what each organisation would contribute in this partnership. This provides clear accountability in terms of what English Nature will deliver with the resources it has whilst also presenting this in the wider context of organisational change.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of English Nature's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in English Nature for the year ended 31 March 2006 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

3. Capacity to handle risk

Leadership is given to the risk management process by being embedded into each part of the management, planning and reporting processes (see para. 4 below). Responsibilities thus clearly relate to me as Accounting Officer and in addition the relationship of risk as an integral part of management and delivery is reinforced. This is reinforced as part

of our development programme for Team Managers. Members of staff are informed about risk management through guidance on the preparation of risk registers, which at Executive and Programme Board level is often part of the wider consideration of strategic forward planning thus reinforcing the link between risk and English Nature's business. English Nature's corporate governance staff are aware of best practice in the public sector and promulgate this through regular revision of guidance.

4. The risk and control framework –

Risk management

The Executive Committee continued to examine the risk environment for English Nature in 2005/2006. It has identified the key risks to business delivery as those relating to the delivery of key targets and priorities, failure of systems or lack of resources effectively to underpin this delivery, the failure to maintain English Nature's reputation or mobilise wider support for its work, and the risks associated with likely organisational change arising from Defra's Rural Delivery Review and Rural Strategy 2004.

English Nature's approach to risk is strongly influenced by its key functions and duties as a Non-Departmental Public Body. It is prepared to take considered risks to deliver some innovative work, for example in new ways of engaging the public or stakeholders to gain wider support for its work or in tackling the challenges of confederated working and preparing for Natural England. However it has a much lower risk appetite in areas where it has explicit statutory responsibilities (where risk-taking might lead to legal challenge) or where there are formal processes expected as part of its generic duties as a Non-Departmental Public Body.

In 2005/2006, using the corporate risks identified by the Executive Committee with advice from the Audit and Risk Management Committee and Council, each English Nature Programme identified its key risks. Programme Boards assessed control measures to be put in place and the actions to be taken in the year to manage each risk. Programme Boards gave guidance to teams on their key areas of risk. English Nature continued to embed risk management with Teams preparing their own risk registers within the context of corporate and Programme risks and the priority actions required. Teams also set out further controls and actions they needed to take to manage other risks significant to them.

To monitor actions through the year Teams submitted an assessment of the progress they had made in managing the risks within their current risk register, and this assessment formed part of reporting to the Programme Boards. On the advice of the Audit and Risk Management Committee more frequent monitoring was introduced from December 2005 to take account of the increasing risks facing the organisation in the transition to Natural England.

During 2005/2006 a systematic risk-based approach was used when drafting the scope and objectives of internal audit projects. Transitional corporate risks for the last six months of English Nature have been identified, and Team risk registers have been drawn up for 2006/2007 to cover controls and actions in the light of progress last year, and reflecting also the organisational and other changes relating to the Natural Environment and Rural Communities Act.

Project Management

In 2005/2006 English Nature continued to consolidate its governance framework for large projects based on its project management standards which form part of our Corporate Governance Manual. These give clear responsibilities for ownership, planning, management, delivery and reporting within organisational priorities and policies. Large projects are required to have all areas of their governance documented including ownership, business case, project plan and risk management.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. This review is informed by the work of the internal auditors and the executive managers within English Nature who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review regarding the effectiveness of the system of internal control by the Executive Committee, the Audit and Risk Management Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

English Nature has a contract with PKF to receive Internal Audit services that comply with Government Internal Audit Standards. They submit regular reports that include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of English Nature's system of internal control together with recommendations for improvement.

English Nature's Audit and Risk Management Committee comprises five non-executive members from our Council. It raises issues and concerns as necessary with me as Accounting Officer. Its Terms of Reference ensure that risk management and internal control are regularly considered within the year.

The Council receives periodic reports from the Chair of the Audit and Risk Management Committee concerning internal control. The Committee will continue to advise on developments in risk management processes and will also assess risks and controls on an ongoing basis. In addition the risk management and corporate governance framework is examined annually by internal audit. This is timed for autumn each year to enable further improvement as necessary in the next operational year.

Executive control is exercised through the Executive Committee, Programme Boards, and Team Managers. The Executive Committee allocates resources, and agrees high-level targets. Each Director leads a Programme Board, which determines in more detail the direction and priorities within it and allocates resources and sets targets for National and Area Teams. Team Managers are accountable for delivering plans with agreed resource levels. Performance is monitored by Programme Boards and reported back to the Executive Committee and Council. As each Programme Board is chaired by a Director this strengthens the accountability of the Executive Committee for monitoring and managing performance.

6. Significant internal control problems

The decision in the 2004 Rural Strategy now included in the Natural Environment and Rural Communities Act to incorporate English Nature's functions within a new NDPB to be known as Natural England involves significant internal control issues. There are risks that the proposals themselves might pose to English Nature's delivery and the systems that support them in the medium and longer term, and the potential disruption to delivery and systems in the short term as a result of heavier workload through the period of organisational change.

These issues are being managed in several ways. Resources and priorities continue to be redirected to strengthen English Nature's management and governance during the interim 'confederation period', and for full engagement with Defra and other stakeholders, particularly Countryside Agency and Rural Development Service, to take place. Programmes and priorities have been re-examined and targets adjusted accordingly. Risks continue to be revised as necessary within the yearly cycle, led by the Executive Committee with advice from the Audit and Risk Management Committee, to ensure that English Nature respond to this uncertainty and expected change. Defra has acknowledged the resource implications and has made some funds available for additional staffing during this period.

Staff have been advised on the governance issues that relate to confederated working to ensure that accountabilities and responsibilities are clear. Engagement with Defra and partners has also focused on ensuring controls and accountabilities will be maintained in the longer term, for example, by effective sponsorship arrangements and through ensuring that meeting the efficiency targets for Natural England does not compromise delivery and accountability.

7. The Joint Nature Conservation Committee

The above arrangements apply to English Nature and include controls over its participation in, and funding of the activities of the Joint Nature Conservation Committee (JNCC), which operates on behalf of English Nature, Scottish Natural Heritage, the Countryside Council for Wales and the sponsoring Department. An account of the activities of the JNCC can be found in their annual report, published on their internet site www.jncc.gov.uk. Copies can also be obtained by telephoning 01733 866839.

Although I act as lead Accounting Officer for the JNCC on behalf of the three country bodies, the JNCC's activities fall under the operational control of the Managing Director of the JNCC, many of whose delegated responsibilities are comparable to those of an Accounting Officer proper. A statement on the systems of internal control operating within the JNCC, made by the Managing Director, is included in the aforementioned annual report.

I gain assurance on the controls within JNCC by attending regular meetings between the country Chief Executives and JNCC's Managing Director, receiving its Internal Audit reports, and scrutinising its plans and financial and performance information at Joint Nature Conservation Committee meetings. New governance arrangements took effect for JNCC from April 2005 following the passing of a Regulatory Reform Order. This entailed the establishment of a Company Limited by Guarantee to enable the Committee to employ its own staff and let its own contracts. English Nature was closely involved in the process to establish the new governance arrangements. The Company has established its own Audit & Risk Management Committee and English Nature has representation on the Committee. The English Nature Audit and Risk Management Committee receives an annual report and has access to internal audit and external audit reports in respect of the activities of the JNCC.

Dr Andrew Brown
Accounting Officer and Chief Executive

07 July 2006

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of English Nature for the year ended 31 March 2006 under the Environmental Protection Act 1990. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Council, Chief Executive and auditor

The Council and Chief Executive are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Environmental Protection Act 1990 and the Secretary of State's directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Council's and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Environmental Protection Act 1990 and Secretary of State's directions made thereunder. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if English Nature has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on page 90 reflects English Nature's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of English Nature's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the unaudited part of the Remuneration Report and the Management Commentary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Council and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to English Nature's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Environmental Protection Act 1990 and directions made thereunder by the Secretary of State, of the state of English Nature's affairs as at 31 March 2006 and of its surplus for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Environmental Protection Act 1990 and the Secretary of State's directions made thereunder; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

John Bourn
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

13 July 2006

Income and Expenditure Account for the year ended 31 March 2006

	Notes	2005/2006 £000	2005/2006 £000	2004/2005 £000
Gross income				
Grant in aid	2	73,139		68,564
Shared Conservation Income	3	4,897		4,248
Income from activities	4	4,600		5,060
Other government and EU grants	5	1,405		652
Other operating income	6	660		589
Transfer from deferred EU capital grant account	21.2	4		4
Transfer from capital reserve	23	0		2
			84,705	79,119
Expenditure				
Staff costs	8.1	32,655		28,569
Conservation programmes	9	13,913		10,927
Management agreements	10	10,385		9,747
Other operating costs	12	9,600		9,294
Grants	13	6,144		7,531
Maintenance of NNRs	11	5,727		7,189
Shared conservation expenditure	3	4,947		4,242
Information and publicity	14	1,765		1,665
Depreciation	15.1, 15.2	2,061		1,982
Impairment of asset values	15.1, 15.2	307		506
			87,504	81,652
Deficit on operating activities			(2,799)	(2,533)
Profit/(Loss) on sale of fixed assets			74	(26)
Interest received and similar income			393	309
Notional cost of capital	16		(394)	(401)
Deficit on ordinary activities			(2,726)	(2,651)
Add back notional costs	16		404	412
Appropriations				
Transfer from government grant reserve	24		2,377	2,523
Retained surplus for the financial year			55	284

All income and expenditure was derived from continuing operations. There have been no material acquisitions or disposals in the year.

The accounting policies and notes on pages 100 to 120 form part of these financial statements.

Statement of total recognised gains and losses

	2005/2006	2004/2005
	£000	£000
Surplus for the financial year	55	284
Net (loss)/gain on revaluation (Notes 23 & 24)	(98)	402
Change in share of JNCC	1	(1)
Grant for capital assets (Note 2)	1,384	2,560
Less transfers from Government Grant Reserve (Note 24)	(2,377)	(2,523)
Total recognised gains and losses relating to the year	<u>(1,035)</u>	<u>722</u>

The accounting policies and notes on pages 100 to 120 form part of these financial statements.

Balance sheet as at 31 March 2006

	Notes	2005/2006 £000	2005/2006 £000	2004/2005 £000
Fixed assets				
Intangible assets	15.1		338	680
Tangible assets	15.2		9,876	10,709
			<u>10,214</u>	<u>11,389</u>
Current assets				
Stocks	17	113		142
Debtors				
falling due within 1 year	18.1	5,982		4,083
falling due after 1 year	18.2	101		108
Short term investments	19	149		172
Cash at bank and in hand		3,665		4,919
		<u>10,010</u>		<u>9,424</u>
Creditors:				
Amounts falling due within 1 year	20	(7,431)		(8,426)
Deferred EU grant	21.1, 21.2	(460)		(345)
		<u>(7,891)</u>		<u>(8,771)</u>
Net current assets			<u>2,119</u>	<u>653</u>
Total assets less current liabilities			<u>12,333</u>	<u>12,042</u>
Creditors: amounts falling due in more than one year				
Provisions for liabilities and charges				
Provision for early retirement costs	7	(1,557)		(178)
Provision for pension costs	22	(74)		(46)
			<u>(1,631)</u>	<u>(224)</u>
Total assets less all liabilities			<u>10,702</u>	<u>11,818</u>
Capital reserves				
Capital reserve	23		1,167	1,426
Government grant reserve	24		9,039	9,952
Income and expenditure account	25		496	440
			<u>10,702</u>	<u>11,818</u>

The accounting policies and notes on pages 100 to 120 form part of these financial statements.

Dr. Andrew Brown
Accounting Officer and Chief Executive

07 July 2006

Cash flow statement

for the year ended 31 March 2006

	2005/2006 £000	2004/2005 £000
Operating activities:		
Grant in aid received	75,312	71,901
Receipts	6,354	5,738
Payments	(83,649)	(75,864)
Net cash (outflow)/inflow from operating activities (see Note 27 - Note 1 to the Cash flow statement)	<u>(1,983)</u>	<u>1,775</u>
Returns on investments and servicing of finance:		
Interest received	336	291
Capital expenditure		
Payments to acquire fixed assets	(1,450)	(2,482)
Proceeds from sales of fixed assets	87	16
	<u>(1,363)</u>	<u>(2,466)</u>
Management of Liquid Resources		
Withdrawals from short term deposits not qualifying as cash	(83)	0
Payments into short term deposits not qualifying as cash	60	5
	<u>(23)</u>	<u>5</u>
Net cash outflow before financing	(3,033)	(395)
Financing:		
Government grants received and applied to purchase of fixed assets	1,384	2,560
Deferred EU revenue grant received	353	342
Interest received on deferred EU grant	19	21
	<u>1,756</u>	<u>2,923</u>
(Decrease)/Increase in cash and cash equivalents (see Note 28 - Note 2 to the Cash flow statement)	<u>(1,277)</u>	<u>2,528</u>

Notes to the financial statements

1. Statement of accounting policies

1.1 *Basis of accounting*

- i) These financial statements have been prepared in a form determined by the Secretary of State for the Department for Environment, Food and Rural Affairs, with the approval of the Treasury in accordance with Section 128 (5) of the Environmental Protection Act 1990. English Nature was issued with a new accounts direction on 10 April 2002.
- ii) The Financial Statements follow the reporting guidance set out in the Government Financial Reporting Manual (FRoM).
- iii) The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of fixed assets to market value or, where material, uplifted by an appropriate index. Revaluations of tangible and intangible fixed assets are taken to a Government Grant Reserve.

1.2 *Going concern*

Under the Natural Environment and Rural Communities Act 2006, English Nature is due to be dissolved during 2006/2007. The activities of English Nature will be transferred to the new NDPB, Natural England, which will be fully established as English Nature is dissolved. This is a machinery of government change which will be reported, in accordance with HM Treasury guidance, using merger accounting conventions. Under these arrangements assets and liabilities are transferred at their book value. In these circumstances it is appropriate to treat English Nature as a going concern, even though it will cease to exist during 2006/2007.

1.3 *Joint Nature Conservation Committee*

English Nature incorporates the results of the Joint Nature Conservation Committee under the terms of FRS9 "Associates and joint ventures", and includes its share of the JNCC's balances within its own accounts. English Nature's percentage contribution to the funding and its share of net revenue expenditure and ownership of the assets and liabilities of the JNCC for 2005/2006 is 57.15 per cent, SNH share is 28.56 per cent and CCW share is 14.29 per cent. The percentage contribution and overall budget is set by Defra in discussion with the devolved administrations in Scotland and Wales.

1.4 *Fixed assets and depreciation*

Depreciation is provided on all tangible and intangible fixed assets other than land at rates calculated to write off the cost or valuation of each asset evenly over its expected useful life as follows:

Freehold buildings	50 years
Short leasehold property	depreciated over life of individual leases (1-49 years)
Computer equipment	5 years
Other equipment	5 to 10 years
Vehicles	5 years
Software licences	5 years

- i) Freehold land and buildings, classified as non-operational heritage assets and located on designated conservation areas have been assigned a nil valuation on the balance sheet. Treasury guidance in the form of the *Financial Reporting Manual* (FReM) does not contain a specific exemption from being valued for National Nature Reserves but English Nature's interpretation has been that this should be the case. Following a response by the Financial Reporting Advisory Board to the Accounting Standards Board discussion paper which gives definition to heritage assets, classifications are given which cover land and buildings that are held by English Nature for the sole purpose of maintaining their conservation value.
- ii) All other freehold land and buildings are revalued every 5 years by professionally qualified valuers, on the basis of value for existing use with the exception of one building which will be offered for sale during the next financial year. This property has been valued at current market value. This revaluation was carried out during 2005/2006 by external valuers, Smiths Gore, by their Royal Institute of Chartered Surveyors qualified staff. The valuations were carried out in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual (the Red Book). The revaluations incorporated in the balance sheet at 31 March 2006 were an increase in land value of £286,250 and a decrease in buildings value of £200,018.

In between professional revaluations, values are updated annually where material, using indices from the *Property Market Report* issued by the Valuation Office.

- iii) Improvements to leasehold buildings have been valued at depreciated historical cost and, where material, values are updated annually using indices for buildings and works contained within the *Price Index Numbers for Current Cost Accounting* published by the Office for National Statistics.
- iv) Computer equipment and furniture have been valued at depreciated historical cost and, where material, values are updated annually using *Price Index Numbers for Current Cost Accounting* published by the Office for National Statistics.
- v) Intangible assets in the form of software licences have been valued at depreciated historical cost and, where material, values are updated annually using *Price Index Numbers for Current Cost Accounting* published by the Office for National Statistics.
- vi) Other equipment and vehicles are valued at depreciated historical cost and, where material, values are updated annually using *Price Index Numbers for Current Cost Accounting* published by the Office for National Statistics.
- vii) Fixed assets costing less than £2,000 are charged to the income and expenditure account in the year of purchase.
- viii) Breeding stock is treated as a grouped asset (the base herd method) and is not depreciated.

1.5 Stock valuation

- i) Farm stock bred for sale has been valued by the farm manager, based on prevailing market prices. Other farm stock has been valued at cost. Lambs born close to the balance sheet date are not valued as valuations are unreliable until lambs reach maturity.
- ii) For other stocks English Nature uses the lower of cost or net realisable value.
- iii) The stock valuation is adjusted for obsolete stock which is considered to be those stocks with levels of over five years worth of sales remaining and where it is considered unlikely that there will be any future income flow.

1.6 *Bad Debts*

Bad debts are written off to income and expenditure when they are at least 12 months old and they are considered uneconomic to recover.

1.7 *Taxation*

English Nature is recognised by Her Majesty's Revenue and Customs as a charity for the purpose of Section 505, Income and Corporation Taxes Act 1988. As a consequence of this status, English Nature is not liable to Corporation Tax or Income Tax on bequests received.

1.8 *Value added taxation (VAT)*

English Nature has charitable status for VAT purposes. English Nature receives grant in aid from the Secretary of State and from 1 April 1991 this has been treated as non-business income for the purposes of VAT. VAT input tax relating to non-business activities cannot be reclaimed from H M Revenue and Customs. As English Nature makes exempt supplies for VAT it has partially-exempt status. English Nature uses an agreed formula to enable the quarterly calculation of the amount of reclaimable input tax.

1.9 *Grants receivable*

English Nature receives grant in aid from the Department for Environment, Food and Rural Affairs. English Nature also receives grant funding from the European Union, the Rural Payments Agency and the Forestry Commission. Government grants received which are of a revenue nature are credited to income for the year to which they relate. Grants for depreciable capital expenditure are credited to a government grant reserve and are released to revenue over the expected useful life of a relevant asset by equal annual amounts. Capital grants for land purchases are non-depreciable assets and are credited to a capital reserve. Funding received from the European Union is treated in a similar way to Government Grants, in that income is released from the Deferred EU Grant Reserves to match project expenditure during the year (see Note 21.1).

1.10 *Grants payable*

Financial assistance by way of grant may be given to any person or organisation to undertake any activity which English Nature is empowered to undertake, including the purchase of land. Grants are charged to the Income and Expenditure Account on the basis of entitlement. The offer of a grant payment is usually tied to a specific year of account and it is solely at the discretion of English Nature whether an unclaimed grant is carried into the next financial year. Offers of grants towards the employment of staff may be made on a diminishing basis over a three or four year period.

1.11 *Treatment of foreign exchange differences*

Transactions that are denominated in a foreign currency are translated into Sterling at the exchange rate on the date of the transaction. Any gains or losses on exchange are taken to the Income and Expenditure account in the year in which they are incurred.

1.12 *Research and development*

English Nature writes off all expenditure on research and development in the year it occurs.

1.13 *Notional costs*

In line with HM Treasury guidance *Financial Reporting Manual (FRM)* English Nature accounts for notional costs of the cost of capital.

The financing structure of English Nature does not include specific interest bearing debt, but to ensure that the Income and Expenditure Account bears an appropriate charge for the use of capital in the business in the year, a notional interest charge is included. In accordance with Treasury guidance, the calculation is based on a 3.5 per cent cost of capital on average net assets.

1.14 *Pension Arrangements*

English Nature operates an Early Retirement Scheme, which gives retirement benefits to certain qualifying employees, including staff on loan to the Committee. These benefits conform to the rules of the Principle Civil Service Pension Scheme (PCSPS). English Nature bears the costs of these benefits until normal retiring age of the employees retired under the Early Retirement Scheme.

The total pension liability up to normal retiring age in respect of each employee is charged to the income and expenditure account in the year in which the employee takes early retirement and a provision for future pension payments is created. Pensions and related benefits payments to the retired employee from 1 April 2003 until normal retiring age are then charged annually against the provision. See also note 8.1 Staff Costs.

The former Chair was entitled to a pension scheme but was prohibited from joining the PCSPS. A personal scheme was set up, described as “by analogy to the PCSPS”. Any ongoing liability arising from this arrangement will be borne by Defra or Natural England. As the liability has not yet formally transferred an evaluation of the liabilities arising under this arrangement in accordance with FRS17 Retirement Benefits has not been made and is not considered material to these accounts.

1.15 *Operating leases*

Rentals are charged to the Income and Expenditure Account as incurred over the life of the lease.

1.16 *Managing Risk in Financial Instruments*

English Nature holds all surplus funds in an interest bearing deposit account. The interest rate is fixed for the period of the contract at 2.0 per cent below base rate on amounts up to £200,000 and 0.5 per cent below base rate for amounts over £200,000. No other investments are made and so there is no exposure to interest rate risk.

English Nature minimises exchange rate risk on European Union funded projects by identifying in the Memorandum of Agreement for the projects a mechanism for partners to agree how a shortfall or surplus will be handled. Any shortfall or surplus would be covered in proportion to the partners’ contributions to the overall project.

1.17 *Natural England*

Where English Nature staff are involved in projects relating to the setting up of the new NDPB, Natural England, reimbursement of the costs involved is received from Defra. Approximately £650,000 has been received in 2005/2006.

2. Government grant in aid

	2005/2006	2004/2005
	£000	£000
Grant in aid receivable in respect of:		
Grant in aid entitled to receive in cash terms	77,269	70,519
Grant in aid handed back	(3,160)	0
Additional Grant	760	0
Grant in aid Aggregates Levy Sustainability Fund	<u>3,501</u>	<u>4,112</u>
	78,370	74,631
Gross Grant in aid received	77,480	74,631
Add: Grant in aid not yet received	888	0
Less: Capital expenditure	(1,384)	(2,560)
JNCC	(3,602)	(3,337)
Deferred Income (Aggregates Levy Sustainability Fund)	<u>(243)</u>	<u>(170)</u>
Released to Income & expenditure account	<u>73,139</u>	<u>68,564</u>

3. Shared Conservation

Shared Conservation Income

English Nature's share of JNCC income is as follows:
(2005/2006 - 57.15%, 2004/2005 - 56.61%)

	2005/2006	2004/2005
	£000	£000
Grant in Aid	3,602	3,337
European Union funds	545	459
Income from Activities	<u>750</u>	<u>452</u>
	4,897	4,248

Shared Contribution

English Nature's share of JNCC expenditure is as follows:

Staff costs	2,274	1,983
Conservation support	1,873	1,419
Other Operating Costs	667	721
Information and Publicity	123	108
Notional costs (see Note 16)	<u>10</u>	<u>11</u>
	4,947	4,242

4. Income from activities

	2005/2006	2004/2005
	£000	£000
National Lottery Grants	2,715	3,776
Contributions from conservation partners	1,293	606
Income from National Nature Reserves	505	565
Sales of publications	54	58
Landfill Tax	28	51
Advice and other services	<u>5</u>	<u>4</u>
	4,600	5,060

Income from sales is stated net of VAT and trade discounts

5. Other government and EU grants

	2005/2006	2004/2005
	£000	£000
European Union funds	1,366	576
Rural Payments Agency	20	39
Forestry Commission	19	37
	<u>1,405</u>	<u>652</u>

6. Other operating income

	2005/2006	2004/2005
	£000	£000
Miscellaneous receipts including rents and recharges	526	558
Bequests-capital received	83	0
Rent from Wardens' Houses	16	18
Bureau services	35	13
	<u>660</u>	<u>589</u>

7. Early retirement provision

	2005/2006	2004/2005
	£000	£000
Balance brought forward at 1 April	178	239
Provided in the year for pension costs due after 31 March	1,466	147
Pensions paid	(87)	(208)
Balance at 31 March	<u>1,557</u>	<u>178</u>

This provision represents the liability for pension payments from the date of early retirement until normal retirement date for employees retiring early on or after 1 September 2002. The liabilities for pensioners who retired early prior to this date were taken over by the Principal Civil Service Pension Scheme on 1 September 2002. This year the provision includes amounts which will be paid to senior executives who will not be joining Natural England and whose contracts will be terminated early.

8.1 Staff costs

	2005/2006 £000	2005/2006 £000	2004/2005 £000
Direct cost of salaries excluding National Insurance:			
Chair	64		94
Members	146		115
Staff	24,413		23,120
Staff seconded to English Nature	0		3
Temporary and contract staff	<u>86</u>		<u>55</u>
		24,709	23,387
Social Security costs		1,912	1,817
Superannuation:			
Transfer to early retirement provision	1,466		147
Accruing Superannuation Liability Charge Payment	4,542		3,194
Partnership Pension Contributions	<u>26</u>		<u>24</u>
		6,034	3,365
		32,655	28,569

8.2 Staff numbers

The average number of whole-time equivalent persons employed during the year was as follows.

	2005/2006 No.	2004/2005 No.
Permanent staff:		
Management	58	56
Operational	589	562
Administration	197	208
IT	<u>37</u>	<u>40</u>
	881	866
Temporary and contract staff:		
Management	0	1
Operational	30	33
Administration	13	10
IT	<u>4</u>	<u>4</u>
	47	48
Staff engaged on capital projects:		
IT	1	3
	<u>1</u>	<u>3</u>
Total	929	917

Salaries amounting to £27,129 were capitalised during the year.

8.3 Pension commitments

The Principal Civil Service Pension Scheme (**PCSPS**) is an unfunded multi-employer, defined benefit scheme but English Nature is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the **Cabinet Office: Civil Superannuation** (www.civilservice-pensions.gov.uk).

For 2005/2006 employers' contributions of £4,541,629 were payable to the **PCSPS** (2004/2005 £3,193,951) at one of four rates in the range 16.2% to 24.6% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they accrue, not the costs as they are actually incurred and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £26,319 were paid to one or more of a panel of four appointed stakeholder pension providers (2004/2005 £23,541). Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of 0.8 per cent of pensionable pay were payable to **PCSPS** to cover the cost of the future provision for lump sum benefits on death in service and ill-health retirement of these employees. As Acting Chair of Council, Dr Moser is entitled to a contribution from English Nature to his personal pension scheme and £6,622 has been provided in the accounts to cover contributions for the period 1 April 2005 to 31 March 2006.

Contributions due to the partnership pension providers at the balance sheet date were £19,472 (£18,151 2004/2005). Contributions prepaid at that date were nil.

Sir Martin Doughty, former Chair is included in a separate pension scheme set up by Defra which is described as "by analogy to the main scheme". There were no early retirements on ill-health grounds.

Civil Service Pensions

Pension benefits are provided through the Civil Service Pension (CSP) arrangements. From 1 October 2002, civil servants may be in one of three statutory, final salary-based, defined benefit schemes (classic, premium and classic plus). The schemes are unfunded with the cost of benefits met by funds voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality, money-purchase stakeholder arrangement with a significant employer contribution (a partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum but members may give up (commute) some of their pension to provide a lump sum. Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement).

Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk

9. Conservation Programmes

	2005/2006 £000	2004/2005 £000
Science and Policy:		
Policy development & implementation	2,529	1,478
Strategic science	1,088	1,075
Total for science and policy	<u>3,617</u>	<u>2,553</u>
Designated Sites:		
Other designated site-related expenditure	1,440	1,146
Surveillance & monitoring on designated sites	2,296	1,130
Site management (excl. agreements & grants)	435	570
Total for designated sites	<u>4,171</u>	<u>2,846</u>
Wider Countryside:		
Biodiversity-related expenditure	3,238	2,803
Lottery – non-NNR management works	1,338	1,378
Science & research on wider countryside projects	1,061	864
National Biodiversity Network & Local Record Centres	488	483
Total for wider countryside	<u>6,125</u>	<u>5,528</u>
Total Conservation	<u>13,913</u>	<u>10,927</u>

10. Management agreements and leases of NNRs

	2005/2006 £000	2004/2005 £000
Management agreements under Section 15 of the Countryside Act 1968:		
Compensatory:		
Annual payments to owners of SSSIs	373	655
Management works	21	20
Wildlife Enhancement Scheme:		
Annual payments to owners of SSSIs	4,535	4,357
Management works	4,550	3,862
Legal and valuation costs	881	847
Special project	19	0
Incentive payments	6	6
	<u>10,385</u>	<u>9,747</u>

11. Nature reserves

	2005/2006 £000	2004/2005 £000
National Nature Reserves:		
Purchase and improvement of land	722	2,863
Estate and habitat management	2,507	2,006
Maintenance of National Nature Reserves	701	766
Leases	523	488
Nature reserve agreements	643	444
Extending access to NNRs	268	248
Rent, rates and utilities	188	175
Farm and livestock costs	146	156
Landfill tax project expenditure	29	43
	<u>5,727</u>	<u>7,189</u>
The above costs include:		
Operating lease rentals of land	523	488

12. Other operating costs

	2005/2006 £000	2004/2005 £000
Accommodation costs	2,963	2,875
Staff support costs	1,907	1,841
Equipment and consumables	1,332	1,416
Staff travel and subsistence costs	1,310	1,122
Postage and telephones	729	840
Other support costs	942	824
Library	150	141
Hospitality	70	30
Audit fee	51	50
Cartographic support	55	32
Members' travel and subsistence	50	40
Members' other support costs	33	58
International subscriptions	6	19
Bad debts	2	4
Interest payable	0	2
	<u>9,600</u>	<u>9,294</u>
The above costs include:		
Operating lease rentals	1,899	1,729

13. Grants

	2005/2006 £000	2004/2005 £000
Aggregates Levy Sustainability Fund	3,038	3,455
Wildspace! Grant Scheme	1,533	2,349
Reserve Enhancement Scheme	1,400	1,301
Purchase of land	83	266
NNR Management Grants	69	95
Biodiversity Grants	21	55
Training, development, interpretation & other grants	0	10
	<u>6,144</u>	<u>7,531</u>

Forward commitments on offers made and accepted on 31 March 2006 totalled £6,036,908 including £4,080,559 for the Aggregates Levy scheme and £1,568,300 for Countdown 2010 Biodiversity Action Fund.

14. Information and publicity

	2005/2006 £000	2004/2005 £000
Information and publicity NNRs and SSSIs	508	429
Publications	493	554
Shows, events and education	443	307
Other	321	375
	<u>1,765</u>	<u>1,665</u>

15.1 Intangible fixed assets

	Software Licences £000	Share of JNCC £000	Total £000
Cost or valuation:			
At 1 April 2005	1,275	46	1,321
Additions	96	3	99
Disposals	(76)	0	(76)
Impairment	0	(7)	(7)
Change in share of JNCC		0	0
At 31 March 2006	1,295	42	1,337
Depreciation:			
At 1 April 2005	630	11	641
Charged in year	426	10	436
Disposals	(76)	0	(76)
Impairment	0	(2)	(2)
Change in share of JNCC		0	0
At 31 March 2006	980	19	999
Net Book Value			
at 31 March 2006	315	23	338
at 31 March 2005	645	35	680
Cumulative provision for impairment at 31 March 2006	(487)	(11)	(498)
Cumulative provision for impairment at 31 March 2005	(487)	(6)	(493)

15.2 Tangible fixed assets

	F/H Land £000	F/H Buildings £000	Improvements to leasehold £000	Computer equipment £000	Other equipment £000	Vehicles £000	Breeding stock £000	Share of JNCC assets	Total £000
Cost or valuation:									
At 1 April 2005	1,366	3,677	2,588	2,905	5,837	3,068	60	479	19,980
Additions		76	108	368	317	386		30	1,285
Transfers	(17)	17							0
Reclassification	(84)								(84)
Disposals				(191)	(101)	(548)		(3)	(843)
Revaluation	(446)	(509)	60		17	73	2	3	(800)
5 yearly revaluation	286	(50)							236
Impairment				(411)				(6)	(417)
Change in share of JNCC								5	5
At 31 March 2006	1,105	3,211	2,756	2,671	6,070	2,979	62	508	19,362
Depreciation & Amortisation									
At 1 April 2005		511	1,573	1,304	3,430	2,175		278	9,271
Charged in year		121	138	541	560	227		38	1,625
Disposals				(189)	(90)	(548)		(3)	(830)
Revaluation		(73)	91		7	58		8	91
5 yearly revaluation		(559)							(559)
Impairment				(113)				(2)	(115)
Change in share of JNCC								3	3
At 31 March 2006	0	0	1,802	1,543	3,907	1,912	0	322	9,486
Written down values									
at 31 March 2006	1,105	3,211	954	1,128	2,163	1,067	62	186	9,876
at 31 March 2005	1,366	3,166	1,015	1,601	2,407	893	60	201	10,709
Cumulative provision for impairment									
at 31 March 2006				(1,441)		(35)		(9)	(1,485)
at 31 March 2005				(1,143)		(35)		(5)	(1,183)

As at 31 March 2006 English Nature had commitments under the capital programme of £4,109

As at 31 March 2006 English Nature had annual commitments under operating leases as set out below:

	Land £000	Buildings £000
Operating leases which expire:		
Within one year	69	68
In the second to fifth year inclusive	141	1264
Over five years	361	554
	<u>571</u>	<u>1886</u>

15.3 Fixed Assets Non-Operational Heritage assets

As at 31 March 2006 English Nature has 218 National Nature Reserves (NNRs) declared under several categories; 128 NNRs are owned by or leased by English Nature or are under Nature Reserve Agreements (NRA) and 90 NNRs are wholly or partly managed by an Approved Body. During the year English Nature declared one new NNR.

The hectarage of the above categories is as follows:

	2005/2006 Hectares	2004/2005 Hectares
NNRs owned by English Nature	19,641	16,805
NNRs leased by English Nature	28,266	30,079
NNRs under Nature Reserve Agreements	14,450	13,497
NNRs managed wholly/partly by Approved Bodies	<u>27,452</u>	<u>27,270</u>
	<u>89,809</u>	<u>87,651</u>

The following additions to Non-Operational Heritage assets were made during the year:

Description	Cost £000
Humberhead Peatlands	69
Goss Moor	27
Fenn's Whixall and Bettisfield Mosses	24
Somerset Levels	14
South Solway Mosses	13
Gait Barrows	1

The NNRs have been classified as non-operational heritage assets and so no valuation has been placed upon them. We receive adequate information on NNR condition and maintenance which enables us to fulfil our stewardship role of the NNRs. It is not our intention to dispose of these assets in the foreseeable future, given their importance to natural heritage. In accordance with Treasury guidance we consider that obtaining a valuation of these assets is not warranted in terms of the benefits which the valuation would deliver. This policy will be kept under review for future years.

16. Notional costs

	2005/2006 £000	2004/2005 £000
Cost of capital	394	401
Shared Conservation	<u>10</u>	<u>11</u>
	<u>404</u>	<u>412</u>

17. Stocks

	2005/2006	2004/2005
	£000	£000
Farm stocks	46	48
Publications - English Nature	16	26
Publications - share of JNCC stock	51	68
	<u>113</u>	<u>142</u>

18.1 Debtors and prepayments

	2005/2006	2004/2005
	£000	£000
Prepayments	1,704	1,301
Accrued income	1,862	1,549
Trade debtors	1,190	576
Shared conservation	1,008	532
Other debtors	218	125
	<u>5,982</u>	<u>4,083</u>

18.2 Debtors due after one year

	2005/2006	2004/2005
	£000	£000
Housing loans to staff	101	108

As at 31 March 2006, loans over £2,500 outstanding to staff amounted to £116,574 (£131,890 at 31 March 2005). The numbers of staff in receipt of loans over £2,500 outstanding at 31 March 2006 were:

	No of Staff
£2,500 to £5,000	11
£5,001 to £10,000	9
£10,001 to £15,000	1

19. Short term investments

	2005/2006	2004/2005
	£000	£000
Balance as at 1 April	172	63
Bequests received	53	104
Interest received	7	5
Amounts spent on NNRs	(83)	0
Balance as at 31 March	<u>149</u>	<u>172</u>

Short term investments relate to bequest funds held in business premium accounts with a commercial bank.

20. Creditors

	2005/2006	2004/2005
	£000	£000
Trade creditors	4,206	6,130
Other creditors	1,112	554
Shared Conservation	1,027	588
Deferred income	812	957
Deferred Aggregates Sustainability Fund income	243	169
VAT creditor	31	28
	<u>7,431</u>	<u>8,426</u>

21.1 Deferred EU Revenue Grant

	2005/2006	2004/2005
	£000	£000
Balance brought forward at 1 April	331	326
Interest receivable	19	22
Revenue grant received in the year	<u>353</u>	<u>342</u>
	703	690
Transferred to I & E Account in the year	(253)	(280)
Reimbursed to EU	0	(33)
Transferred to other projects	<u>0</u>	<u>(46)</u>
Balance at 31 March	<u>450</u>	<u>331</u>

21.2 Deferred EU Capital Grant

	2005/2006	2004/2005
	£000	£000
Balance brought forward at 1 April	14	18
Depreciation for the year	<u>(4)</u>	<u>(4)</u>
Balance at 31 March	<u>10</u>	<u>14</u>

22. Provision for pension costs

	2005/2006	2004/2005
	£000	£000
Balance brought forward at 1 April	46	27
Provision for year	27	23
Transfers out	0	(4)
Share of JNCC pension provision	1	0
Balance at 31 March	<u>74</u>	<u>46</u>

This provision represents future liabilities under a separate pension scheme described as "by analogy to the main scheme" which has been set up by Defra for Sir Martin Doughty, former Chair of English Nature. In accordance with Accounting Policy 1.14 the full requirements of FRS17 "Retirement Benefits" have not been applied to this arrangement.

23. Capital reserve

	2005/2006	2004/2005
	£000	£000
Balance brought forward at 1 April	1,426	1,169
Land asset reclassified as non-operational heritage asset	(84)	0
Transfer to grant reserve	(17)	0
Arising on revaluations in the year	(158)	259
Transfer to Income and Expenditure Account	0	(2)
Balance at 31 March	<u>1,167</u>	<u>1,426</u>

24. Transfer from Government Grant Reserve

	2005/2006	2004/2005
	£000	£000
Balance brought forward at 1 April	9,952	9,778
Change in share of JNCC	3	(6)
Revaluations in year	(448)	143
5 yearly revaluation of freehold property	508	0
Transfer from capital reserve	17	0
Capital grant received in the year and applied to the purchase of capital assets	1,384	2,560
	<u>11,416</u>	<u>12,475</u>
Less transfer to Income and Expenditure Account in the year		
Depreciation for the year	2,057	1,976
Release of unexpended depreciation on assets disposed of in the year	13	41
Impairment of asset values	307	506
	<u>2,377</u>	<u>2,523</u>
Balance as at 31 March	<u>9,039</u>	<u>9,952</u>

25. Statement of retained surplus

	2005/2006	2004/2005
	£000	£000
Retained surplus brought forward	440	157
Adjustment for change in share of JNCC	1	(1)
Retained surplus for the financial year	55	284
Retained surplus carried forward	<u>496</u>	<u>440</u>

26. Reconciliation of movements in public funds

	2005/2006	2004/2005
	£000	£000
Opening public funds	11,818	11,104
Retained surplus for the financial year	56	284
Movement on capital reserve during the year (Note 23)	(259)	257
Movement in government grant reserve (Note 24)	(912)	174
Change in share of JNCC	(1)	(1)
Closing public funds	<u>10,702</u>	<u>11,818</u>

27. Note 1 to the Cash flow statement

Reconciliation of operating deficit to net cash flow from operating activities

	2005/2006	2004/2005
	£000	£000
Operating deficit	(2,799)	(2,533)
Depreciation charge	2,061	1,982
Net increase/(decrease) in investments (including JNCC)	1	(1)
Release from deferred EU grants	(257)	(363)
Cash paid for NNR purchase	83	0
Decrease in stocks	29	61
(Decrease)/Increase in creditors net of fixed asset creditor	(931)	3,272
Increase in debtors net of interest debtor	(1,893)	(1,116)
Net transfer to/(from) early retirement provision	1,379	(61)
Notional costs	10	11
Transfer from capital reserve	0	(2)
Transfer to pension provision	28	19
Impairment of asset values	306	506
Net cash (outflow)/inflow from operating activities	<u>(1,983)</u>	<u>1,775</u>

28. Note 2 to the Cash flow statement

Reconciliation of net cash flow to movement in net funds

	£000
Decrease in cash in the period	(1,254)
Decrease in liquid resources	(23)
Change in net funds	(1,277)
Net funds at 1 April 2005	5,091
Net funds at 31 March 2006	3,814

29. Contingent liabilities

The European Commission had questioned the regularity of management agreement payments as they had not been notified to the Commission for approval as State Aid. This issue was common to such payments made by all the UK's statutory conservation bodies.

Written approval from DG Agriculture has been given for all new management agreements since 1 January 2000. Although the issue of non-notification for agreements entered into prior to 1 January 2000 has not yet been settled, it is thought unlikely that any financial penalties will be levied.

30. Losses and special payments

During the year, 32 losses were identified totalling £19,422 (57 totalling £26,117 in 2004/2005). There were no special payments this year (2 valued at £1,100 in 2004/2005).

31. Intra-Government Balances

	Debtors: Amounts falling due within one year £'000	Debtors: Amounts falling due after more than one year £'000	Creditors: Amounts falling due within one year £'000	Creditors: Amounts falling due after more than one year £'000
Balances with other central government bodies	973	-	93	-
Balances with local authorities	12	-	301	-
Total at 31 March 2006	985		394	
Balances with other central government bodies	203	-	186	-
Balances with local authorities	24	-	968	-
Total at 31 March 2005	227	-	1,154	-

There were no balances outstanding with public corporations or NHS trusts in either 2005/2006 or 2004/2005.

32. Related party transactions

English Nature is a Non-Departmental Public Body sponsored by the Department for Environment, Food and Rural Affairs.

English Nature, Scottish Natural Heritage and the Countryside Council for Wales execute their joint functions through the Joint Nature Conservation Committee and provide funding for the Committee on an agreed proportionate basis.

The above bodies are regarded as related parties. During the year English Nature has carried out a number of material transactions with these bodies in the normal course of business. In addition, English Nature had various material transactions with the following Government bodies; Countryside Agency, Environment Agency, Royal Botanic Gardens, Kew and the Rural Payments Agency.

During the year English Nature, in the normal course of its business, entered into material transactions with the following organisations in which Council Members, members of the key management staff or other related parties have an interest:

Table of transactions between English Nature and related bodies

Individual staff/ Council Member	Corporate related Body	Payable (Amount Owed by English Nature at 31/03/06) £000	Receivable (Amount Owed to English Nature) at 31/03/06) £000	Nature of transactions
Prof E Gallagher, Non-executive director	Environmental Consultancy University Sheffield Ltd	17 (-)		Goods and services
		17 (13)		Contributions
Mrs A Powell, Trustee	Ponds Conservation Trust	3 (-)		Grants
		131 (-)		Contributions
		71 (1)		Goods and services
Dr A E Brown, Vice Chair	NBN Trust	15 (-)	31 (-)	Goods and Services
Mr D Hulyer, Managing Director	Wetlands Advisory Service	27 (27)		Goods and services
Mr D Hulyer, Director of Conservation	Wildfowl and Wetlands Trust	15 (-)		Goods and services
Ms S Fowler	The Shark Trust	8 (-)		Contributions
Mr H van Cutsem	HE & EEL van Cutsem	5 (-)		Grants

33. Third party assets

English Nature is administering payments on behalf of Eurosite for the Darwin Initiative Project. This project aims to assist individuals in Eastern European Countries to develop management plans for wetlands areas high in biodiversity.

£6,217 was received in the year which was matched by expenditure of £6,217.



English Nature, the Rural Development Service and the Countryside Agency. Working in partnership to conserve and enhance our landscapes and natural environment, to promote countryside access and recreation as well as public well-being, now and for future generations.

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