

ENVIRONMENTAL PROTECTION ACT 1990

Accounts of English Nature prepared pursuant to Sch.6 para 21 (1) of the Environmental Protection Act 1990, for the year ended 31 March 2003, together with the Report of the Comptroller and Auditor General thereon. (In continuation of House of Commons Paper No. 1071 of 2001-2002).

Presented pursuant to Environmental Protection Act 1990, c.43, sch.6, para 21(3)

English Nature Account 2002-2003

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 14 JULY 2003

LONDON: The Stationery Office

25 September 2003

HC 981

£10.50

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Foreword

Introduction

- 1 English Nature's mission is to ensure that future generations can enjoy a wealth of wildlife as a major part of their quality of life. We also promote the protection and understanding of our geological heritage. We are the government wildlife adviser, with powers and duties to protect and enhance the natural heritage throughout England.

History and statutory background

- 2 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 the 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.

- 3 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. JNCC is funded on an agreed proportionate basis by English Nature, Scottish Natural Heritage (SNH) and the Countryside Council for Wales (CCW) (see note 1.2 in Notes to the Financial Statements). A set of financial statements for JNCC is appended to the English Nature financial statements, see note 33.

Funding

- 4 English Nature receives grant in aid from the Secretary of State to finance the excess of its capital, unfunded pension and revenue expenditure (excluding depreciation) over its income. The balances on provisions and reserves shown in the balance sheet represent the value of English Nature's fixed and net current assets.
- 5 In conducting its activities English Nature complied with the guidance laid down in its Financial Memorandum issued in April 1998.

Results and appropriations

- 6 These financial statements relate to the year ended 31 March 2003 during which revenue expenditure totalled £168,863,000 and income, including net revenue grant in aid after consolidation of £156,901,000, amounted to £166,216,000. This year grant in aid included an amount of £91,100,000 to fund the transfer of English Nature staff into the Principal Civil Service Pension Plan, and £2,673,000 of Aggregate Levy Sustainability Fund. This left an operating deficit for the year of £2,314,000. Receipts in respect of superannuation amounted to £333,000 and interest receivable £192,000, which after accounting for a loss on the disposal of fixed assets of £63,000 and a notional cost of capital of £540,000, left a deficit on ordinary activities of £2,725,000. Expenditure includes a charge for notional costs in respect of the cost of capital employed and superannuation of £1,054,000. Following this adjustment for notional costs and the transfer of £3,024,000 from the government grant reserve for the annual costs of fixed assets, the retained surplus for the financial year was £1,353,000. A retained deficit of £1,044,000 was brought forward from the previous financial year and after accounting for the release of £333,000 from the pension provision and £567,000 received to cover unfunded pension costs, as well as a transfer to the government grant reserve of £621,000 to rectify previous years' over release to the Income and Expenditure account, and a transfer of £2,000 from the Capital Reserve, the retained surplus carried forward was £587,000.

- 7 Further grant in aid of £4,226,000 was received in respect of capital expenditure, including £101,000 in respect of JNCC capital expenditure. Under the terms and conditions of its Financial Memorandum, English Nature is required to surrender any excess receipts to the Consolidated Fund. There were no such excess receipts in 2002-2003.

Fixed assets

- 8 In 2002-2003 English Nature spent £61,000 on the purchase of land, £449,000 on the purchase and improvement of workshops, storage facilities and office accommodation, £1,965,000 on computer equipment, £1,280,000 on scientific, office and nature reserve equipment and £370,000 on road vehicles. Breeding stock values on the balance sheet (see note 17.1) and farm stock (see note 22) have risen slightly. The area of land held as non-operational heritage assets has increased by 1,601 hectares.

Payment of creditors

- 9 English Nature follows the principles of the Better Payment Practice Code. The policy is to ensure that all payments are made by the 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. 91.5 per cent of invoices were paid within the due date in 2002-2003. No late payment interest was paid in the year (£375 in 2001-2002).

Review of activities

- 10 English Nature's purpose is to promote, directly and through others, the conservation of the wildlife and natural features of England within the wider setting of the United Kingdom and its international responsibilities.

In pursuit of this purpose, the Environmental Protection Act 1990 augmented principally by the Countryside and Rights of Way Act 2000 conferred upon English Nature the following functions

- i to establish, maintain and manage nature reserves (within the meaning of Section 15 of the National Parks and Access to the Countryside Act 1949);
- ii to advise Ministers on policies for or affecting nature conservation;
- iii to provide advice and disseminate knowledge about nature conservation;
- iv to commission and support or, if necessary, carry out relevant research;
- v various duties, under other statutory provisions, notably
 - a to notify Sites of Special Scientific Interest (SSSI) and to take such steps as are open to it to ensure their appropriate management. This includes providing advice and/or funding (e.g. by agreements under Section 15 of the Countryside Act 1968) and enforcement of Section 28 of the Wildlife and Countryside Act 1981. The Countryside and Rights of Way Act 2000 considerably extended the protection of SSSIs under Section 28 of the Wildlife and Countryside Act 1981, giving English Nature new powers to prevent SSSIs being neglected or damaged, increasing penalties, and introducing requirements to restore damaged sites;
 - b to issue or advise Ministers on the issue of licences affecting protected species, for example, under Section 16 of the Wildlife and Countryside Act 1981;
 - c to take account as appropriate in the discharge of its functions of actual or possible ecological changes.

- 11 English Nature shall (under Section 133(3) of the Act), in discharging its functions, have regard to any advice given to them by the Joint Nature Conservation Committee.
- 12 During 2002-2003 English Nature met or exceeded the majority of its targets set out in the Corporate Plan 2002-2005. A comprehensive account of progress during this period will be set out in English Nature's Annual Report 2002-2003 due to be published in July 2003. The following are some of the more significant achievements in 2002-2003.
- 13 **Progress towards meeting the Government's Public Service Agreement (PSA) target** - to bring 95% of the area of SSSI into favourable or recovering condition by 2010.

During the period 1 April 2002 to 31 March 2003, English Nature has completed the condition assessment of the SSSIs in England. This is a significant achievement. It gives us, for the first time, an accurate assessment of the condition of the special sites based on complete survey, rather than extrapolation.

We are now able, accurately, to report that, as of March 2003, 56.9% of English SSSIs, by area, are in a favourable condition. Over the year, the condition of 167,000 hectares has been assessed for the first time as favourable or has been made favourable. Direct land management, action by public bodies, policy changes by Government and use of regulatory powers are required to bring sites into favourable condition.

National Nature Reserves (NNRs)

- 14 The issues raised in relation to the SSSI favourable condition target are also relevant here. The position, as of March 2003, is that 66.5% of NNRs, by area, are in a favourable condition. A complete resigning programme for all NNRs is underway and we are on track to complete this work by March 2004. We have completed 13 NNR Spotlight projects during the year that provide greater opportunities for people to experience wildlife.

Progress with the England Biodiversity Strategy

- 15 The launch of the England Biodiversity Strategy "Working with the Grain of Nature" provides a framework for integration of local and national Biodiversity Action Plan (BAP) through community strategies. The Species Recovery Programme continues to deliver the Species Action Plan and was the focus of a successful conference in 2002-2003. Three national habitat inventories were produced - saline lagoon, sand dune and lowland heathland and a further nine were initiated during the year.

A partnership project involving English Nature has reintroduced one of Britain's rarest, native species, the sand lizard into Surrey heathland. The Surrey Heath Project, involving the Herpetological Conservation Trust (HCT), Surrey Heath Borough Council and Defra, saw 75 hatchlings released at Lightwater Country Park, Surrey, in September 2002. As part of the Species Recovery Programme, English Nature will provide the Trust with £55,000 for each of the next three years to help conserve the sand lizard, natterjack toad, pool frog, smooth snake and great crested newt.

English Nature's Farming for Wildlife Award was launched at the Royal Show (July 2002) and formed part of the National Farmers' Union (NFU) Farming Excellence Awards. The awards give recognition for conservation activities, through prize money totalling £13,785, including regional rewards. Applications showcased some of the outstanding conservation being carried out across our countryside, with farmers reaping the rewards of their activities, ranging from nesting red kites to regular visits by otters and thriving populations of scarce arable plants.

A pair of wild choughs, not seen in England for over 50 years, nested successfully in West Cornwall during 2002. The hatching of the chicks was a cause of great celebration for the Cornwall Chough Project, a partnership between English Nature, the RSPB, The National Trust, DEFRA and, of course, Cornwall residents.

English Nature is also leading the way with the development of the Biodiversity Action Reporting System which will enable all partners to record the effect of their work on biodiversity and will greatly enhance our ability to make better use of data in this area. We anticipate that this system will become operational during the next year.

Marine conservation

- 16 As part of the State of Nature series, the publication "State of Nature: Maritime - getting onto an even keel" was launched. This report demonstrates that seas and coasts are damaged and declining by the pressures exerted on them and proposes action to halt this decline.

As part of our marine programme we have completed condition assessments on subtidal SSSIs and produced an outline programme for identification of a suite of marine special sites in the area up to 12 nautical miles out.

An area of the Lundy Island Marine Nature Reserve, (MNR), was confirmed by Government as the first statutory "No Take Zone" for marine conservation. This was jointly proposed by the Devon Sea Fisheries Committee and English Nature and has strong local support. This is a small but highly significant step forward in alleviating the pressure on fish and shellfish stocks and restoring the wildlife value of the marine environment in North Devon.

Strategy for Sustainable Farming and Food

- 17 The Government's Strategy for Sustainable Farming and Food was published in December 2002. This was a major priority for English Nature and we have worked closely with Defra and other Government Departments in the development of the strategy. We were pleased to see a useful action plan for the farming industry to meet the challenges of becoming more environmentally sustainable and economically viable.

Wildspace! a grant scheme for Local Nature Reserves

- 18 The Wildspace! grant scheme for Local Nature Reserves (LNRs) run by English Nature in partnership with the New Opportunities Fund, a National Lottery distributor, helped local communities to improve, care for and enjoy their local environment. Grants were given towards capital projects on LNRs, the employment of Community Liaison Officers to facilitate local community action on LNRs, and habitat creation such as building ponds or planting woodlands. Wildspace! was launched in April 2001 and has so far supported 127 projects and awarded more than £6 million in grants towards projects that will be implemented over the next three years. An additional £1.5 million has been approved from the New Opportunities Fund in the year. 81% of the grants awarded to date have been to areas of high urban and rural deprivation.

The National Volunteers Project

- 19 The National Volunteers Project aims to raise the profile of volunteering within English Nature and externally and to develop standard guidance and systems of support for staff and volunteers. There has been significant progress with these three aspects and we have succeeded in increasing the number of our volunteers in the year.

Local events and open meetings

- 20 The open meetings programme enabled area teams to hold approximately 20 different events and projects over the last year. A number of innovative open meetings were held reaching a wide range of audiences including land owners, local authorities, the business community and the general public. An exhibition stand for area teams to use at county shows was introduced which has provided a unique venue for some of the open meetings held this year, including in one instance, the launch of the traditional breeds incentive scheme.

Website development

- 21 The Nature On-line project was initiated during the year and will greatly enhance English Nature's website and make significantly more information easily available through this major redesign of the site. The Priority BAP Habitat mapping project is making good progress and the first habitat inventories have been delivered. The first 'Virtual Tours' of Lathkill Dale NNR, a wildlife garden and Lundy are being developed and a business analysis of our grant and licensing schemes is underway in preparation for the development of on-line applications for them.

Aggregates Levy Sustainability Fund

- 22 The Aggregates Levy Sustainability Fund was announced at the start of the year and became operational during August 2002. This fund is helping us to tackle some of the problems that aggregates extraction impose on the countryside. English Nature is working in partnership with the Countryside Agency and English Heritage to distribute these grants to local projects to deliver ecological, geological and biodiversity benefits. In this period, grants were awarded totalling £6 million.

Future developments

- 23 The Department for Environment, Food and Rural Affairs announced that English Nature's grant in aid for 2003-2004 is to be £73,278,000 in resource terms. The expected cash requirement is £69,897,000. Included in this figure is £5,000,000 from the Capital Modernisation Fund for the Nature for People Project. In addition English Nature will administer £4,192,830 from the Aggregates Levy Sustainability Fund in 2003-2004.

Detailed targets and actions for 2003-2004 onwards are set out in English Nature's Corporate Plan 2003-2006. In summary they are

The protection of sites of national and international importance is a key priority for English Nature. The key objectives of this programme are to

- Contribute towards DEFRA Public Service Agreement (PSA) target of 95% of SSSIs being in favourable or recovering condition by 2010. English Nature is working in close partnership with owners, occupiers and public bodies to achieve this target;
- Establish a network of designated sites within English territorial waters (0-12 nautical miles) that significantly assists with protecting, managing and enhancing our marine biodiversity;
- Increase public appreciation of, and access - both intellectual and physical - to, special wildlife sites.

In the wider environment, achieving the wildlife objectives in the England Biodiversity Strategy through direct delivery and facilitating others and the key objectives are to

- Integrate national and Local Biodiversity Action Plans (LBAPs), with appropriate targets, actions, and outcomes at each level;
- Implement the England Biodiversity Strategy to secure direct gains for wildlife and geology.

Co-ordinate the monitoring of the national wildlife resource, primarily through creating inventories of sites important for meeting national nature conservation targets.

Achieving these goals for designated sites and the wider environment requires change in many policy areas and English Nature aims to ensure biodiversity becomes a key measure for sustainable development at EU, national, regional and local levels. The key objectives for this programme are to

- Build understanding, support and action for nature and its contribution to people's well-being;
- Achieve fuller implementation of policy reforms and secure enhanced funding essential to the achievement of national and international nature conservation priorities;
- Achieve wide recognition of the contribution nature makes to sustainable development, and the role of biodiversity as a key test of sustainability.

Implementing the *Modernising Government* programme will help English Nature to be more efficient, joined up and responsive enabling it to have more influence, work better with others and be better at managing itself. The key objectives of this programme are to

- Deliver services and Invest in our staff and volunteers to provide the right culture and competencies. Provide training programmes, develop performance, appraisal and competency frameworks. Promote diversity and family-friendly working;

- Provide joined-up, responsive services;
- manage nature conservation information in line with Information Age Government developments;
- As an excellent NDPB, improve overall standards, governance and accountability.

In November 2002 Defra announced the appointment of Lord Haskins to review the delivery of rural policies, in particular within the Department and its NDPBs. By June 2003 Lord Haskins had made clear the guiding principles for his recommendations prior to his final report in autumn 2003. English Nature's work and organisation will be profoundly affected over the next few years, if countryside NDPBs and the work of Defra itself, are to be reorganised.

Green issues

- 24 English Nature is committed to environmental excellence and the continuous improvement of our environmental performance, as part of our overall goal of implementing the principles of sustainable development in all areas of our work. Our aim is to ensure that environment objectives are integrated into relevant business objectives in a cost-effective way.

English Nature recognises that many of its activities have some impact on the environment. As an exemplary Non-Departmental Public Body, we aim to conduct our business and operations to reflect best practice and we will implement an Environmental Management System appropriate to the location, scale and nature of our activities to demonstrate our commitment to the Greening Government Initiative and the Government's sustainability development strategy, "A better quality of life".

During 2002-2003

- English Nature held two Environmental Co-ordinators Conferences;
- The Environmental Challenge Fund spent £70,000 on environmental projects;
- The number of LPG dual fuel vehicles was increased to 22%;
- The installation of video conferencing facilities into all Area Teams was completed;

All English Nature offices have been working towards accreditation with the Peterborough Environment City Trust Award. The National Office and 15 out of 22 Area Teams have successfully become accredited. The other offices should receive accreditation shortly.

Disabled persons

- 25 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 NNRs.

Employee involvement

- 26 Dialogue between English Nature's Management and the Trade Unions (PCS and Prospect) continues to be open, positive and constructive, taking place through two formal mechanisms: Whitley Council and the Pay and Conditions Negotiations Committee (PCNC) and through an informal partnership style approach designed to resolve issues of mutual concern at the earliest opportunity.

The Whitley General Purposes Committee and its Standing Committees on Health, Safety and Welfare, Training and Equal Opportunities are proactive, meeting regularly throughout the year and addressing issues of concern to staff.

A key focus for both parties this year has been the Pay and Conditions Negotiations, during which the open and constructive relationship was clearly beneficial. The results of these negotiations, completed in January 2003

provide the largest changes to English Nature's pay system since 1997, including the re-introduction of pay progression. We believe this places English Nature in a strong position to attract and retain the high calibre staff needed to ensure the continued provision of high quality service and advice.

Council members

27	Sir G M Doughty (Chairman)	(8 May 2001 to 7 May 2004)
	Ms M Appleby	(21 October 1998 to 31 March 2004)
	Mr D O Arnold-Forster OBE	(dec'd 29 September 2002)
	Dr D T Burke CBE	(1 April 1999 to 31 March 2005)
	Prof E P Gallagher CBE	(1 September 2000 to 31 March 2003)
	Dr S Gubbay	(1 October 1998 to 31 March 2004)
	Prof M Hart	(1 April 2001 to 31 March 2004)
	Mrs A Kelaart	(1 April 1999 to 31 March 2005)
	Prof G L Lucas OBE	(1 February 2002 to 31 March 2003)
	Dr M Moser	(1 April 1999 to 31 March 2005)
	Mr S Hockman QC	(1 April 2002 to 31 March 2005)
	Dr A Powell	(1 April 2001 to 31 March 2004)
	Mr D Hulyer	(1 April 2004 to 31 March 2005)
	Mr H Van Cutsem	(1 April 2002 to 31 March 2005)

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 14 Members. At 31 March 2003 there were 13 non-executive Members.

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 its annual report. Accountability Statements for the Chairman, Council Members and each of the other main roles in the organisation's structure are in place. Four formal Council meetings take place annually and further workshops and seminars are arranged on topical issues.

Corporate governance

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

Auditors

29 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.

Dr Andrew Brown
Accounting Officer and Chief Executive

30 June 2003

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 the form and on the 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

- 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 have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the English Nature will continue in operation.

The Accounting Officer for the Department for Environment, Food and Rural Affairs has designated myself, 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, 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

30 June 2003

Statement on Internal Control

Internal control: principles and progress

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

The system of internal control is designed to manage to a reasonable level, rather than eliminate, the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of English Nature's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. Processes which fully implemented Treasury Guidance were in place by 31 March 2003 and continued in operation up to the date of approval of the annual report and accounts. English Nature will continue to monitor and develop its risk management processes, and, as a result, the practices that underpin this Statement will be kept under review and further enhanced during 2003-2004.

Corporate governance

Members of English Nature's Council have corporate responsibility for establishing the overall strategic direction and policies of the organisation and for overseeing the production of the Corporate Plan. The Corporate Plan sets out the key strategic objectives and targets and resource framework for English Nature to discharge its duties. These targets cover efficiency and effectiveness of the organisation's operations, the quality of its services and its financial performance. Council also oversees the delivery of planned results by monitoring performance against the agreed objectives and targets.

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.

Members are also responsible for ensuring that English Nature complies with statutory and administrative requirements for the use of public funds. This includes responsibility for ensuring that public funds are properly safeguarded and that English Nature conducts its operations as economically, efficiently and effectively as possible with full regard to the relevant statutory provisions and restrictions.

The terms under which this responsibility is carried out are set out in the Environmental Protection Act 1990 and in the Financial Memorandum issued by the Secretary of State which specifies the terms on which English Nature receives and spends funds provided by Parliament.

Internal financial control

The system of internal financial control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes

- Comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Executive Directors;
- Regular reviews by the Executive Directors of periodic and annual financial reports which indicate financial performance against the forecasts;

- Setting targets to measure financial and other performance;
- Clearly defined capital investment control guidelines.

The Audit and Risk Management Committee

English Nature's Audit and Risk Management Committee comprises four non-executive members from our Council, raising 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 and we require regular reports from senior managers on the steps they are taking to manage risks in their own areas of responsibility including progress reports on each corporate risk. The Committee will continue to advise on developments in risk management processes and also assess risks and controls on an ongoing basis.

Risk management

In 2002-2003 English Nature further embedded risk management within its management processes by introducing risk registers to each Team. Using the ten corporate risks, each English Nature business Programme identified its key risks within them. It assessed control measures to be put in place and the actions to be taken in the year to manage each risk. It also identified the team, or teams, within English Nature that contributes to managing each of these risks. Teams prepared their own risk registers explicitly within the context of corporate and Programme risk and the priority actions they were required to take. As well as these corporate responsibilities, Teams also set out further controls and actions they needed to take to manage other risks significant to them.

Programme and team risk registers have been revised for 2003-2004 to cover controls and actions in the light of progress over the preceding year and reflecting also changes in risks. Overall quality control is exercised over risk registers to ensure standards are maintained. The monitoring system has been further enhanced for 2003-2004 to give more quantitative information on progress towards managing residual risks. During 2003-2004 major risk issues within Team risk registers will be used to help draw up Team internal audits, further embedding risk within wider management processes.

In Summer 2003 English Nature's Council and Executive Committee will review corporate risks as part of their strategy and planning review and the results will be incorporated into integrated planning and risk guidance for 2004-2005. This development will reinforce and enhance the embedding of risk management within English Nature's planning and business management processes.

Project management

In 2002-2003 English Nature created a governance framework for large projects which creates clear responsibilities for ownership, planning, management, delivery and reporting within organisational priorities and policies. This also takes account of governmental and sponsoring department requirements, for example the Gateway review. Large projects are now required to have all areas of their governance documented including ownership, business case, project plan and risk management within clear organisational and governmental standards.

Internal audit

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 on internal control together with recommendations for improvement.

My review of the effectiveness of internal control 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.

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 Commission for Wales and the sponsoring Department. An account of the activities of the JNCC appears at Note 33 to the English Nature's financial statements.

Although I act as lead Accounting Officer for JNCC on behalf of the three country Agencies, 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 for the JNCC, made by the Managing Director, appears on pages 43 and 44.

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. JNCC's Managing Director, or his representative, attends the Audit and Risk Management Committee of English Nature.

Dr A Brown
Accounting Officer and Chief Executive

30 June 2003

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

I certify that I have audited the financial statements on pages 15 to 56 under the Environmental Protection Act 1990. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 20 to 23.

Respective responsibilities of the Council, the Chief Executive and Auditor

As described on page 19 the Council and Chief Executive are responsible for the preparation of financial statements in accordance with the Environmental Protection Act 1990 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Council and Chief Executive are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Environmental Protection Act 1990 and Treasury directions made thereunder, and 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 if, in my opinion, the Foreword is not consistent with the financial statements, if the Council has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 10 to 12 reflects the department's compliance with Treasury's guidance entitled "Corporate Governance: Statement on Internal Control". I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

The maintenance and integrity of English Nature's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Accounting Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are 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 are free from material misstatement, whether caused by error, or by fraud or other irregularity 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 have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion

- The financial statements give a true and fair view of the state of affairs of English Nature (including their share of the Joint Nature Conservation Committee) at 31 March 2003 and of the deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Environmental Protection Act 1990 and directions made thereunder by the Secretary of State; 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.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

7 July 2003

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

Income and Expenditure Account for the year ended 31 March 2003

	Notes	2002-2003 £000	2002-2003 £000	2001-2002 £000
Gross income				
Grant in aid	27	156,901		51,170
Grant for peat rights	10	0		15,250
Shared conservation income	2	3,403		2,974
Other government and EU grants	3	872		489
Income from activities Transferred from deferred	4	3,074		2,245
EU grant account	26.2	4		3
Transfer from early retirement provision	5	1,655		390
Other operating income	8	307		152
			166,216	72,673
Expenditure				
Maintenance of National Nature reserves (NNRs)	9	9,489		4,395
Purchase of peat rights	10	0		15,250
Management agreements	11	8,846		8,808
Conservation programmes	12	11,931		9,643
Information and publicity	13	1,559		1,415
Grants	14	5,334		2,465
Staff costs	15.1	23,742		20,608
Bulk pension transfer	15.1	91,100		-
Other operating costs	16	9,895		9,072
Depreciation	17.1	1,817		1,783
Shared conservation expenditure	2	3,588		2,944
Write down of assets	17.1	762		
Impairment of asset values	17.1	306		1,069
Notional costs	18	494		1,082
			168,863	78,534
(Deficit) on operating activities before superannuation			(2,647)	(5,861)
Superannuation receipts	19		333	850
(Deficit) on operating activities			(2,314)	(5,011)
(Loss) on sale of fixed assets			(63)	(64)
Interest on investments			192	159
Notional cost of capital	18		(540)	(368)
(Deficit) on ordinary activities			(2,725)	(5,284)
Add back notional costs	18		1,054	1,473
Appropriations				
Transfer from government grant reserve	20		3,024	3,004
Retained surplus/(deficit) for the financial year			1,353	(807)

Statement of Total Recognised Gains and Losses

	2002-2003	2001-2002
	£000	£000
(Deficit)/surplus for the financial year	1,353	(807)
Net gain on revaluation (Note 6 & 20)	291	97
Change in share of JNCC	(5)	(1)
Grant for capital assets	4,226	2,950
Grant in aid to cover unfunded pension costs	567	1,297
Release of pension provision	333	1,493
Less transfers from government grant reserve	(3,024)	(3,004)
Total recognised gains and losses relating to the year	<u>3,741</u>	<u>2,025</u>

All income and expenditure derives from continuing activities. There were no material acquisitions or disposals in the year.

The accounting policies and notes on pages 20 to 56 form part of these financial statements.

Balance Sheet as at 31 March 2003

	Notes	2002-2003 £000	2002-2003 £000	2001-2002 £000
Fixed assets				
Tangible assets	17.1		10,301	8,814
Current assets				
Stocks	22	197		289
Other debtors and prepayments	23.1	3,409		2,253
Peat rights debtor	10	0		15,250
Debts due after 1 year	23.2	192		209
Short term investments		60		24
Cash at bank and in hand		4,287		2,141
			8,145	20,166
Creditors				
Amounts falling due within one year	25	(7,241)		(3,336)
Peat Rights Creditor	10	0		(15,250)
			(7,241)	(18,586)
Net current assets			904	1,580
Total assets less current liabilities			11,205	10,394
Creditors: amounts falling due in more than one year				
Provision for early retirement costs	5	(128)		(1,655)
Provision for pension costs	21	0		(900)
Deferred EU grant	26.1,26.2	(191)		(694)
			(319)	(3,249)
Total assets less all liabilities			10,886	7,145
Capital reserves				
Capital reserve	6		1,148	989
Government grant reserve	20		9,151	7,200
Income and expenditure account	7		587	(1,044)
			10,886	7,145

The accounting policies and notes on pages 20 to 56 form part of these financial statements

Dr A Brown
Accounting Officer and Chief Executive

30 June 2003

Cash Flow Statement for the year ended 31 March 2003

	2002-2003 £000	2001-2002 £000
Operating activities		
Grant in aid received	159,824	53,743
Receipts	18,355	18,471
Payments	(176,658)	(72,424)
Payments re unfunded pensions	(567)	(1,297)
Net cash inflow/(outflow) from operating activities (see Note 1)	<u>954</u>	<u>(1,507)</u>
Returns on investments and servicing of finance		
Interest received	185	168
Capital expenditure		
Payments to acquire fixed assets	(4,155)	(2,881)
Proceeds from sales of fixed assets	80	48
	<u>(4,075)</u>	<u>(2,833)</u>
Management of liquid resources		
Withdrawals from short term deposits not qualifying as cash	0	(84)
Payments into short term deposits not qualifying as cash	2	3
	<u>2</u>	<u>(81)</u>
Net cash outflow before financing	(2,934)	(4,253)
Financing		
Government grants received and applied to purchase of fixed assets	4,226	2,950
Government grants received and applied to unfunded pensions	567	1,297
Deferred EU grant received	296	429
Interest received on deferred EU grant	27	35
EU grant received and applied to purchase of fixed assets	0	3
	<u>5,116</u>	<u>4,714</u>
Increase in cash and cash equivalents (see note 2)	<u>2,182</u>	<u>461</u>

The notes on page 19 form part of this statement.

Note 1 to the Cashflow Statement

Reconciliation of operating deficit to net cash inflow/(outflow) from operating activities

	2002-2003	2001-2002
	£000	£000
Operating (deficit)	(2,314)	(5,011)
Depreciation charge	1,817	1,783
Payments re unfunded pensions	(567)	(1,297)
Net (increase)/decrease in investments (including JNCC)		
Release from deferred EU grants	(824)	(361)
(Increase) in stocks	92	(46)
Net decrease in investments	0	81
(Increase) in debtors net of interest debtor	14,111	(555)
(Decrease)/increase in creditors net of fixed asset creditor	(11,416)	1,721
Net transfer (from)/to early retirement provision	(1,527)	4
Notional costs	514	1,105
Transfer from capital reserve	0	0
Impairment of asset values	306	1,069
Assets written down	762	0
Net cash (outflow) from operating activities	954	(1,507)

Note 2 to the Cashflow Statement

Reconciliation of net cash flow to movement in net funds

	£000
Increase in cash in the period	2,146
Decrease in liquid resources	36
Change in net funds	2,182
Net funds at 1 April 2002	2,165
Net funds at 31 March 2003	4,347

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 Department for Environment, Food and Rural Affairs with the approval of the Treasury in accordance with Section 128(5) of the Environment Protection Act 1990. English Nature was issued with a new accounts direction on 10 April 2002.
- ii The financial statements are intended, without limiting the information given, to meet the requirements of the Companies Act 1985 and 1989 and the Statements of Standard Accounting Practice and Financial Reporting Standards issued or approved by the Accounting Standards Board, insofar as these requirements are appropriate. These accounts reflect changes in the 'Executive NDPB's Annual Reports and Accounts Guidance'.
- 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 fixed assets are taken to a Government Grant Reserve.

1.2 Joint Nature Conservation Committee

English Nature treats the Joint Nature Conservation Committee as a JANE (Joint Arrangement Not an Entity) under the terms of FRS9, and includes its share of JNCC's balances within its own accounts. JNCC is not a body corporate. A separate set of financial statements for the JNCC has been produced and is appended to the English Nature financial statements, with further analysis shown in note 2. English Nature's percentage contribution to the funding and their share of net revenue expenditure and ownership of assets and liabilities of the JNCC for 2002-2003 is 56.17 per cent whilst SNH share 30.09 per cent and CCW share 13.74 per cent. The percentage contribution and overall budget will in future be set by Defra in discussion with the devolved administrations in Scotland and Wales.

1.3 Fixed assets and depreciation

Depreciation is provided on all tangible 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

- i Freehold land and buildings, classified as non-operational assets, located on designated conservation areas have, with the approval of the Treasury, been assigned a nil valuation on the balance sheet. Such land and buildings are held by English Nature for the sole purpose of maintaining the conservation value of such areas and as such are not open to sale on the open market.
- ii All other freehold land and buildings are revalued every five years by professionally qualified valuers, on the basis of open market value for existing use. This revaluation was last carried out during 2000-2001 by external valuers, Smiths Gore, by their Royal Institution of Chartered Surveyors' qualified staff. The valuations were carried out in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual (the Red Book). The revaluations incorporated in the balance sheet at 31 March 2001 were a decrease in land value of £171,000 and an increase in buildings valuation of £1,358,000.

In between professional revaluations, values are annually updated, 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 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.
- vi Fixed assets costing less than £2,000 are, charged to the income and expenditure account in the year of purchase.
- vii Breeding stock is treated as a grouped asset (the base herd method) and is not depreciated.

1.4 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 balance sheet date are not valued as valuations are unreliable until lambs reach maturity.
- ii For other stocks English Nature use 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.

1.5 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.

1.6 Taxation

English Nature is recognised by the Inland Revenue 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, etc. received.

1.7 Value added taxation (VAT)

English Nature has charitable status for VAT purposes. English Nature receive grant in aid from the Secretary of State and from 1 April 1991 this has been treated as non-business for VAT purposes. VAT input tax relating to non-business activities cannot be claimed from HM Customs & Excise. As English Nature makes exempt supplies for VAT it has partially exempt status. English Nature has agreed with the Customs & Excise a formula to enable English Nature to calculate quarterly the amount of claimable net input tax payable to English Nature.

1.8 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 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. An amount equivalent to the value of pensions paid is received and offset against the deficit brought forward, whilst the payments are debited to the pension provision. Capital grants for land purchases are non-depreciable assets and are credited to 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 25).

1.9 Grants payable

Financial assistance by way of grant may be given to any person or organisation to undertake any activity which English Nature are 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, but offers of grants towards the employment of staff may be made on a diminishing basis over a three or four year period.

1.10 Research and development

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

1.11 Notional costs

In line with HM Treasury guidance "Executive NDPB's Annual Reports and Accounts Guidance", English Nature account for notional costs for the following areas: cost of capital and employers' superannuation contributions.

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 6 per cent cost of capital on average net assets.

Employers' superannuation contributions - Please refer to note 15.2 Staff Costs

Contributions are based on rates set periodically by the Joint Superannuation Scheme as advised by the Government Actuary's Department. The rates for non-industrial staff are charged at

Annual Salary of

£16,000 and under	12.0 per cent of gross salary
between £16,001 and £32,500	13.5 per cent
between £32,501 and £56,000	16.5 per cent
£56,001 and over	18.5 per cent

1.12 Pension Arrangements

On 1 September 2002 English Nature transferred into the Principal Civil Service Pension Scheme (PCSPS). £91,100,000 was received from the Department for Environment and Rural Affairs (Defra) to fund this transfer. Past and present employees are now covered by the provisions of the Civil Service Pension Schemes which are described at Note 15.3. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependents benefits. English Nature recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Schemes (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes, English Nature recognises the contributions payable for the year.

As a result there is no longer any need to carry a provision for pension liabilities (which was set up in 2000-2001 in accordance with HM Treasury guidance), and this provision has been released into the Income and Expenditure account.

There is a separate contributory Widows Pension Scheme, which is also non-funded, where contributions are classified as current income and any benefits paid are treated as current expenditure. Transfer values received from other organisations up until the 31 August 2002 are also treated as current income. (During the year net superannuation receipts of £42,546 were received in respect of staff on secondment, £31,000 2001-2002).

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 PCSPS. English Nature bears the costs of these benefits until normal retiring age of the employees retired under the Early Retirement Scheme.

The total pensions 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 2002 until normal retiring age are then charged annually against the provision. See also note 15.1 Staff Costs.

1.13 Operating leases

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

1.14 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.

Transactions that are denominated in a foreign currency are translated into sterling at the exchange rate on the date of the transaction.

2 Shared conservation

Shared conservation income

This is English Nature's percentage of JNCC income as follows

(2002-2003 - 56.17%, 2001-2002 - 56.60%)

	2002-2003 £000	2001-2002 £000
Grant in aid	2,924	2,573
Income from activities	479	401
	<u>3,403</u>	<u>2,974</u>

Shared Contribution

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

Conservation support	1,135	1,096
Information and publicity	165	52
Staff costs	1,555	1,200
Other operating costs	713	573
Notional costs	20	23
	<u>3,588</u>	<u>2,944</u>

3 Other government and EU grants

	2002-2003 £000	2002-2002 £000
Rural payments agency	20	35
European union funds	826	433
Forestry commission	26	21
	<u>872</u>	<u>489</u>

4 Income from activities

	2002-2003 £000	2001-2002 £000
Income from National nature reserves	520	540
Sales of publications	45	63
Advice and other services	5	14
National lottery grants	1,676	1,073
Contributions from conservation partners	762	513
Landfill tax	45	2
Sponsorship income	21	40
	<u>3,074</u>	<u>2,245</u>

Income from sales is stated net of VAT.

5 Early retirement provision

	2002-2003 £000	2001-2002 £000
Balance brought forward at 1 April 2002	1,655	1,651
Provided in the year for pension costs due after 31 March 2002	128	394
Pensions paid	(140)	(390)
Provisions no longer required	(1,515)	0
Balance at 31 March 2003	<u>128</u>	<u>1,655</u>

On 1 September 2002 English Nature joined the Principal Civil Service Pension Scheme (PCSPS). At this date all the pension liabilities for existing pensioners who had retired early was taken on by the PCSPS. The provision now represents the liability for pension payments from the date of early retirement until normal retirement date for all employees retiring early since 1 September 2002.

6 Capital reserve

	2002-2003 £000	2001-2002 £000
Balance brought forward at 1 April 2002	989	966
Capital grant received in the year and applied to the purchase of land	61	0
Arising on revaluations in the year	100	23
Transfer to Income and Expenditure Reserve (note 7)	(2)	0
Balance at 31 March 2003	<u>1,148</u>	<u>989</u>

7 Statement of retained surplus/(deficit)

	2002-2003 £000	2001-2002 £000
Restated retained (deficit) brought forward	(1,044)	(3,026)
Release of pension provision	333	1,493
Grant in aid to cover unfunded pension costs	567	1,297
Adjustment for change in share of JNCC	(3)	(1)
Retained surplus/(deficit) for the financial year	1,353	(807)
Transfer from capital reserve (note 6)	2	0
Transfer to government grant reserve (note 20)	(621)	0
Retained surplus/(deficit) carried forward	<u>587</u>	<u>(1,044)</u>

8 Other operating income

	2002-2003 £000	2001-2002 £000
Rent from wardens' houses	19	16
Miscellaneous receipts including rents and recharges	239	124
Bureau services	15	12
Bequests-capital received	34	0
	<u>307</u>	<u>152</u>

9 Nature reserves

	2002-2003	2001-2002
	£000	£000
National nature reserves		
Estate and Habitat management	1,490	1,555
Leases	391	393
Nature reserve agreements	370	375
Maintenance of National nature reserves	654	600
Purchase and Improvement of land	454	1,047
Extending access to NNRs	163	208
Rent, rates and utilities	135	132
Farm and Livestock costs	76	80
Nature for people	5,711	0
Landfill tax project expenditure	45	5
	<u>9,489</u>	<u>4,395</u>

Nature for People is a new two year project, aimed at facilitating public access to and involvement with nature, as well as improving and restoring wildlife habitats.

The above costs include

Operating lease rentals of land	391	393
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10 Purchase of peat rights

	2002-2003	2001-2002
	£000	£000
Purchase price - Hatfield & Thorne Moors	0	2,876
Purchase price - Wedholme Flow	0	4,024
Purchase of Cut Peat at Thorne Moors	0	2,350
Hatfield Moor sublease rent	0	6,000
	<u>0</u>	<u>15,250</u>

In 2001-2002 English Nature received an additional grant from Defra to cover the purchase of Peat Rights from Scotts Company (UK) Ltd.

During 2002-2003 no additional rights were purchased. However work has been undertaken through the restoration contract with Scott's which will lead to the production of conditions for peat-forming vegetation to thrive.

11 Management agreements and leases of NNR's

	2002-2003 £000	2001-2002 £000
Management agreements under Section 15 of the Countryside Act 1968		
Compensatory		
Annual payments to owners of SSSI's	1,070	1,188
Lump sums	0	52
Management works	59	34
Wildlife enhancement scheme		
Annual payments to owners of SSSI's	4,050	3,776
Management works	2,770	2,693
Incentive payments	0	3
Legal and valuation costs	897	1062
	<u>8,846</u>	<u>8,808</u>

12 Conservation programmes

	2002-2003 £000	2001-2002 £000
Strategic science	1,208	1,430
Policy development and implementation	1,245	1,031
Designated sites		
Surveillance and monitoring on designated sites	2,636	1,139
Site management (excl. agreements and grants)	670	783
Other designated site-related expenditure	1,284	1,135
Total for designated sites	<u>4,590</u>	<u>3,057</u>
Wider countryside		
Science and research on wider countryside projects	291	119
National Biodiversity Network and Local Record Centres	765	605
Lottery - non-NNR management works	822	459
Biodiversity-related expenditure	3,010	2,942
Total for Wider Countryside	<u>4,888</u>	<u>4,125</u>
Total Conservation	<u>11,931</u>	<u>9,643</u>

13 Information and publicity

	2002-2003 £000	2001-2002 £000
Publications	498	321
Information and publicity NNRs and SSSIs	305	219
Shows, events and education	433	360
Nature for people	83	0
Other	240	515
	<u>1,559</u>	<u>1,415</u>

14 Grants

	2002-2003 £000	£000
Purchase of land	191	321
Reserve enhancement scheme	1,410	1469
Other SSSI grants	99	0
Wildspace! Grant Scheme	608	203
Aggregate levy sustainability fund	2,453	0
Biodiversity grants	256	277
NNR management grants	180	110
Training, development, interpretation & other grants	137	85
	<u>5,334</u>	<u>2,465</u>

Forward commitments on offers made and accepted on 31 March 2003 totalled £12,219,689 including £3,747,090 for Aggregate Sustainability Levy Fund and £6,541,775 for Wildspace!

15.1 Staff Costs

	2002-2003 £000	2002-2003 £000	2001-2002 £000
Direct cost of salaries excluding National Insurance			
Chairman	46		45
Members	109		114
Staff	20,216		18,114
Staff seconded to English nature	15		7
		20,386	18,280
Social security costs			
		1,392	1,302
Superannuation			
Transfer values out	12		264
Lump sum and short service gratuities	31		84
Transfer to early retirement provision	128		394
Early retirement and severance pay	161		284
Accruing superannuation liability			
Charge payment	1,630		0
Partnership pension costs	2		0
		<u>1,964</u>	1,026
		<u>23,742</u>	<u>20,608</u>

English Nature staff transferred into the Principal Civil Service Pension Scheme (PCSPS) on 1 September 2002. The Government Actuaries Department (GAD) performed an initial calculation of the bulk transfer value pending the implications of the pay review for 2002-2003. The interim valuation of £91.1m was paid in March 2003. A revised figure for the remainder is awaited from the Government Actuarial Department, which will be due; however the Treasury have agreed to fund the amount as well. Defra agreed to fund the cost of joining scheme and has already reimbursed the initial £91.1m paid.

The provision for early retirement now represents the pension cost from date of retirement to normal retirement date for those employees taking early retirement from 1 September 2002. The previous liabilities were taken into account when the transfer was made into PCSPS, and the portion of the provision no longer required has been released to the Income and Expenditure Account.

15.2 Pension commitments

The 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 1999. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2002-2003, employers' contributions of £1,629,804.87 were payable to the PCSPS (2001-2002 nil) at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. Rates will remain the same next year, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs 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 £2,252 were paid to one or more of a panel of four appointed stakeholder pension providers. 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 the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to or prepaid to the partnership pension providers at the balance sheet date were negligible.

15.2 Staff numbers

The average number of permanent staff during the year was 849 (788 2001-2002), categorised as follows

	2002-2003	2001-2002
	No.	No.
Management	52	60
Operational	540	425
Administration	220	282
IT	37	21
	<u>849</u>	<u>788</u>

15.3 Senior staff

The salary and pension entitlements of the most senior members of English Nature were as follows

			Age	Salary including performance pay £000	Real increase in pension at 60 £000	Total accrued pension at 60 as at 31 March 2003 £000	Time commitment days per Year
Council Members							
Sir G M Doughty	Chairman	08.05.01 to 07.05.04	52	45 - 50	0 - 2.5	n/a	156
Ms M Appleby	Council Member	21.10.98 to 31.03.04	48	5 - 10	n/a	n/a	34
Dr D T Burke	Council Member	01.04.99 to 31.03.05	55	5 - 10	n/a	n/a	30
Prof E P Gallagher	Council Member	01.09.00 to 31.03.03 #	57	10 - 15	n/a	n/a	36
Dr S Gubbay	Council Member	01.10.98 to 31.03.04	44	5 - 10	n/a	n/a	30
Prof M Hart	Council Member	01.04.01 to 31.03.04	57	5 - 10	n/a	n/a	30
Mrs A Kelaart	Council Member	01.04.99 to 31.03.05	56	5 - 10	n/a	n/a	34
Prof G L Lucas	Council Member	01.02.98 to 31.03.03 #	66	5 - 10	n/a	n/a	34
Dr M Moser	Council Member	01.04.99 to 31.03.05	45	10 - 15	n/a	n/a	42
Dr A Powell	Council Member	01.04.01 to 31.03.04	62	5 - 10	n/a	n/a	30
Mr S Hockman	Council Member	01.04.02 to 31.03.05	56	5 - 10	n/a	n/a	30
Mr D Hulyer	Council Member	01.04.02 to 31.03.05	51	5 - 10	n/a	n/a	30
Mr H Van Cutsem	Council Member	01.04.02 to 31.03.05	61	5 - 10	n/a	n/a	30
Senior Staff							
Mr D O Arnold-Forster	Chief Executive	07.02.00 to 29.09.02	dec'd	85-90	0 - 2.5	0 - 5	n/a
Dr A E Brown *	Director		48	75-80	2.5 - 5.0	10 - 15	n/a
	Chief Executive	from 14.02.03					
Miss C E Wood *	Director		48	55 - 60	0 - 2.5	20 - 25	n/a
Mrs S Collins *	Director		51	45 - 50	0 - 2.5	15 - 20	n/a
Dr K L Duff *	Director		53	55 - 60	0 - 2.5	15 - 20	n/a
Mr A Clements **	Acting Director		48	45 - 50	0 - 2.5	5 - 10	n/a

* opted to join Classic; ** opted to join Classic Plus

reappointed for another 3 years

Dr A Brown was Acting Chief Executive from 30 September 2002 until his appointment as Chief Executive on 14 February 2003. At all other times he was a director.

'Salary' includes gross salary; performance pay and bonuses; overtime; reserved rights to London weighting or London allowances; recruitment or retention allowances; private office allowance and any other allowance to the extent that it is subject to UK taxation. Performances related bonuses are included in both Chief Executives salaries and were determined by Council Members up to a maximum of 10 per cent of salary. The bonus for 2001-2002, paid in 2002-2003 for Mr D O Arnold-Foster was calculated at 8.5 per cent and totalled £5939, and the bonus for Dr A E Brown, relating to his time as acting Chief Executive was calculated at 2% and totalled £1500. Mr Clements is in receipt of a staff housing loan of £5734 at 31 March 2003 on which beneficial interest of £326.68 has been calculated and paid by English Nature. The estimated monetary value of benefits covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument.

Council members are not entitled to join the pension scheme.

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, classic plus and premium). New entrants after 1 October may choose between membership of premium or joining a good quality 'money purchase' stakeholder based arrangement with a significant employer contribution (partnership pension account).

Classic. Benefits accrue at the rate of 1/60th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 1.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

Premium scheme. 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 commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to surviving spouse or eligible partner at a rate of 3/8ths the members pension (before any commutation). On death in service, the scheme pays out a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years.

Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them taking any gainful employment, service is enhanced to what they would have accrued at age 60.

Classic Plus Scheme. This is essentially a variation of **premium**, but with benefits in respect of service before 1 October 2002 calculated broadly as per **classic**.

Partnership Pension Account. This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% (in addition to the employer's basic contribution) Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up to 25% of the fund as a lump sum.

16 Other operating costs

	2002-2003	2001-2002
	£000	£000
Members' travel and subsistence	46	34
Members' other support costs	67	56
Staff travel and subsistence costs	1,054	943
Staff support costs	2,234	2,193
Accommodation costs	3,041	2,635
Equipment and consumables	1,340	1,421
Library	137	123
Postage and telephones	854	795
Cartographic support	116	70
Other support costs	922	721
Audit fee	44	42
Hospitality	23	20
International subscriptions	17	18
Bad debts	0	1
	9,895	9,072
The above costs include		
Operating lease rentals	1,570	1,517
Interest payable in 2002-2003 was £0 (£375 in 2001-2002)		

17.1 Fixed assets at cost or valuation

	Land £000	Freehold buildings £000	Improvements to leasehold land/buildings £000	Computer equipment £000	Other equipment £000	Vehicles £000	Breeding stock £000	Share of JNCC assets	Total £000
As at 1 April 2002	926	2,795	1,732	3,268	4,662	2,308	61	601	16,353
Additions during year	61	27	422	1,965	1,280	370		101	4,226
Assets written off			(1)	(977)	(328)			(74)	(1,380)
Less disposals				(303)	(282)	(155)		(115)	(855)
Revaluation	97	164	(55)		185		3	7	401
Change in share of JNCC								(5)	(5)
Impairment				(381)		(7)		(10)	(398)
As at 31 March 2003	1,084	2,986	2,098	3,572	5,517	2,516	64	505	18,342
Less depreciation as at 1 April 2002		109	1,022	1,766	2,566	1,665		411	7,539
Charge for the year		110	80	677	540	359		51	1,817
Less depreciation on disposals				(252)	(198)	(149)		(113)	(712)
Less depreciation on assets written off				(363)	(208)			(47)	(618)
Depreciation on revaluation		11	16		76			7	110
Change in share of JNCC								(3)	(3)
Less depreciation on impairment				(89)		1		(4)	(92)
As at 31 March 2003		230	1,118	1,739	2,776	1,876		302	8,041
Written down value as at 31 March 2003	1,084	2,756	980	1,833	2,741	640	64	203	10,301
Written down value as at 31 March 2002	926	2,686	710	1,502	2,096	643	61	190	8,814

As at 31 March 2003 English Nature had commitments under the capital programme of £135,037.

As at 31 March 2003 English Nature had annual commitments under operating leases as set out below

Operating leases which expire	Land £000	Buildings £000
Within one year	51	62
In the second to fifth year inclusive	50	91
Over five years	286	1458
	<u>387</u>	<u>1611</u>

17.2 Fixed assets non-operational heritage assets

As at 31 March 2003 English Nature has 214 National Nature Reserves (NNRs) declared under several categories; 134 NNRs are owned by or leased by English Nature or are under Nature Reserve Agreements (NRA), and 80 NNRs are wholly or partly managed by an Approved Body. During the year English Nature declared four new NNRs.

The hectareage of the above categories is as follows

	2002-2003 Hectares
NNRs owned by English nature	16,482
NNRs leased out by English nature	30,877
NNRs under Nature reserve agreements	13,689
NNRs managed wholly/partly by approved bodies	26,649
	<u>87,697</u>

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.

18 Notional costs

	2002-2003 £000	2001-2002 £000
Employers' superannuation contribution	494	1,082
Cost of capital	540	368
Shared Conservation	20	23
	<u>1,054</u>	<u>1,473</u>

The notional cost of employer's superannuation contributions has decreased this year, as it only had to take into account those contributions paid up until the transfer into the PCSPS on 1 September 2002.

19 Superannuation receipts

During the year the following contributions were received

	2002-2003 £000	2001-2002 £000
Contributions for Widows pension & added years	178	367
Transfer values	155	483
	<u>333</u>	<u>850</u>

Only transfer values received up until 1 September 2002 have been included. After that date, when English Nature joined the PCSPS, all transfer values go directly to PCSPS.

20 Government grant reserve

	2002-2003 £000	2001-2002 £000
Balance brought forward at 1 April 2002	7,200	7,180
Change in share of JNCC	(2)	0
Arising on revaluations in the year	191	74
Capital grant received in the year and applied to the purchase of capital assets	4,165	2,950
	<u>11,554</u>	<u>10,204</u>
Transfer to Income and Expenditure Account in the year		
Depreciation for the year	1,816	1,780
Release of unexpended depreciation on assets disposed of in the year	902	115
Impairment of asset values	306	1,069
	<u>0</u>	<u>40</u>
Excess depreciation charged on assets revalued	3,024	3,004
	<u>621</u>	<u>0</u>
Transfer from income and expenditure (note 7)		
Balance as at 31 March 2003	<u>9,151</u>	<u>7,200</u>

21 Pension provision

	2002-2003 £000	2001-2002 £000
Balance brought forward at 1 April 2002	900	3,690
Pensions paid in year	(567)	(1,297)
Provisions not required written back	(333)	(1,493)
Balance at 31 March 2003	0	900

Since the transfer into the PCSPS in September 2002, the pension provision is no longer required, and so has been written back to the Income and Expenditure Account.

22 Stocks

	2002-2003 £000	2001-2002 £000
Farm stocks	62	52
Publications - English nature	78	98
Publications - share of JNCC stock	57	139
	197	289

23.1 Other debtors and prepayments

	2002-2003 £000	2001-2002 £000
Trade debtors	1,451	667
Shared Conservation	276	141
Prepayments	1,450	1,072
Other debtors	232	373
	3,409	2,253

23.2 Debtors due after one year

	2002-2003 £000	2001-2002 £000
Housing loans to staff	188	204
Welfare loans	4	5
	192	209

As at 31 March 2003, loans over £2,500 outstanding to staff amounted to £207,508 (£222,524 at 31 March 2002). The number of staff in receipt of loans over £2,500 outstanding at 31 March 2003 were

	No of Staff
£2,500 to £5,000	18
£5,001 to £10,000	10
£10,001 to £15,000	4
£15,000 to £20,000	1

24 Short term investments

	2002-2003 £000	2001-2002 £000
Balance as at 1 April	24	105
Bequests received	34	0
Interest received	2	3
Amounts spent on NNRs	0	(84)
Balance as at 31 March	60	24

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

25 Creditors

	2002-2003 £000	2001-2002 £000
Trade creditors	5,558	2,950
Other creditors	184	128
VAT creditor	48	44
Deferred income	379	77
Deferred aggregates levy sustainability fund income	752	0
Shared conservation	320	137
	7,241	3,336

26.1 Deferred EU revenue grant

	2002-2003 £000	2001-2002 £000
Balance brought forward at 1 April 2002	690	589
Interest receivable	25	33
Revenue grant received in the year	296	429
	1,011	1,051
Transferred to I & E account in the year	(820)	(358)
Transfer to EU capital grant	0	(3)
Balance at 31 March 2003	191	690

26.2 Deferred EU capital grant

	2002-2003 £000	2001-2002 £000
Balance brought forward at 1 April 2002	4	4
Capital grant received in the year and applied to the purchase of capital assets	0	3
	4	7
Assets written down	(3)	
Depreciation for the year	(1)	(3)
Balance at 31 March 2003	(0)	4

27 Government grant in aid

	2002-2003	2001-2002
	£000	£000
Grant in aid	70,845	57,990
Grant in aid Pensions Transfer (note 15.1)	91,100	0
Grant in aid Aggregates Levy Sustainability Fund	3,425	0
	165,370	57,990
Gross Grant in aid received	165,370	57,990
Capital expenditure	4,226	2,950
JNCC	2,924	2,573
Transfer for unfunded pensions	567	1,297
Deferred Income (aggregates levy sustainability Fund)	752	0
Released to income & expenditure account	156,901	51,170

28 Reconciliation of movements in English Nature's public funds

	2002-2003	2001-2002
	£000	£000
Opening public funds	7,145	5,120
Retained surplus/(deficit) for the financial year	1,353	(807)
Transfer to government grant	(621)	0
Grant Received for unfunded pension (Note 21)	567	1,297
Movement on capital reserve during the year (Note 6)	159	23
Movement in government grant reserve (Note 20)	1,951	20
Change in share of JNCC	(1)	(1)
Movement on pension provision	333	1,493
Closing public funds	10,886	7,145

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 agencies.

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 there were 48 (31 in 2001-2002) losses identified totalling £29,045 (£29,453 in 2001-2002) and one (two in 2001-2002) special payments totalling £1,000 (£2,746 in 2000-2001).

During the year there were 48 (31 in 2001-2002) losses identified totalling £29,045 (£29,453 in 2001-2002) and one (two in 2001-2002) special payments totalling £1,000 (£2,746 in 2000-2001).

31 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 and Royal Botanic Gardens Kew.

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 receivable	
		£000	£000
Sir G M Doughty, Board Member	Countryside Agency	45	15
Sir G M Doughty, Council member	Derbyshire County Council	6	0
Sir G M Doughty, Vice Chair	Peak District NPA	7	0
Prof E Gallagher, Director	Environmental Consultancy University Sheffield Ltd	51	0
Mr H van Cutsem,	Partner HE and EEL van Cutsem	11	0
Mrs A Kelaart, Trustee (includes £13,000 owed by English Nature at 31 March 2003)	Farming and Wildlife Advisory Group	64	0
Mrs A Powell, Chairman	Ponds Conservation Trust	14	0
Mr H van Cutsem, Board Member (includes £69,000 owed by English Nature at 31 March 2003)	National Trust	305	42
Dr A E Brown, Board Member	Norfolk Broads Authority	147	0
Dr A E Brown, Vice Chair (includes £37,000 owed to English Nature at 31 March 2003)	National Biodiversity Network Trust	65	5
Dr M Moser, Trustee (includes £6,000 owed by English Nature at 31 March 2003)	RSPB	830	21
Mr D Hulyer, Director (includes £22,000 owed by English Nature at 31 March 2003)	Wildfowl and Wetlands Trust	145	0
Mr D Hulyer, Managing Director (includes £2,000 owed by English Nature at 31 March 2003)	Wetlands Advisory Service	11	0
Payment from Tarmac plc; and RMC (UK) Ltd		0	20
under the Landfill Tax Credit Scheme, regulated by Entrust, of which Sir G M Doughty was a Director during the year.		0	50

32 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.

£45,000 was received in the year and there was expenditure of £64,052. The balance remaining in English Nature's bank account on behalf of Eurosite is £8,925 (£27,977 2002). This amount appears as a short term creditor.

33 Foreword (Joint Nature Conservation Committee)

History and statutory background

- 1 The Joint Nature Conservation Committee was established by the Environmental Protection Act 1990 to deliver the special functions of the three Conservation Councils for England, Scotland and Wales and under Section 133(3), to advise the Councils on matters which concern nature conservation for Great Britain as a whole or nature conservation outside Great Britain. The Committee became fully operational on 1 April 1991.

Funding

- 2 The Committee receives the majority of its funding from the three Conservation Councils: English Nature, Scottish Natural Heritage and the Countryside Council for Wales. The amount of grant available in each financial year is ring-fenced in the three Councils' main Supply Estimates. An increasing proportion of income is received from various other sources and these are detailed in the accounts. The assets and liabilities of the Committee are owned by the three Conservation Councils in direct proportion to their funding for the year.

Results and appropriations

- 3 In conducting its activities the Committee complies with the guidance laid down in its financial memorandum operational from 1 April 1991, updated where appropriate by the English Nature Financial Memorandum, 1998, pending agreement of a new JNCC Financial Memorandum. These financial statements relate to the year ended 31 March 2003 during which the revenue expenditure of the Committee totalled £6,539,000, and income, including revenue grant in aid of £5,205,000, amounted to £6,058,000, leaving an operating deficit for the year of £481,000. Expenditure includes a charge for notional cost of £35,000 in respect of the cost of capital employed. Following adjustment for notional costs and interest receivable of £9,000, the retained deficit for the financial year was £282,000. A retained surplus of £439,000 was brought forward from the previous financial year, giving, after a transfer to the Government Grant Reserve of £67,000 to rectify previous years' over release to the Income and Expenditure Account, a retained surplus carried forward of £90,000.
- 4 Included in the gross income and expenditure within the Income and Expenditure Statement are transfers which were made to and from provisions and reserves. A total of £155,000 was transferred from the Government Grant Reserve to the Income and Expenditure account in 2002-2003 to cover in year depreciation and the release of unexpended depreciation.

Fixed assets

- 5 In 2002-2003 the Committee spent £22,000 on vehicles, £123,000 on computer equipment and £34,000 on scientific and office equipment.

Payment of creditors

- 6 The Committee follows the principles of the Better Payment Practice Code, and the policy is to ensure that all payments are made by the due date. This policy is known throughout the organisation and there is a formal complaints procedure to enable suppliers' complaints to be dealt with very quickly. 84 percent of invoices were paid within the due date in 2002-2003.

Functions

- 7 The Joint Nature Conservation Committee (JNCC) is the statutory committee through which English Nature, Scottish Natural Heritage and the Countryside Council for Wales exercise their special functions. The special functions are defined by Section 133 of the Environmental Protection Act 1990. The JNCC is responsible for advice and research on international and Great Britain-wide nature conservation matters and for common standards for science and monitoring.

Review of activities

- 8 During 2002-2003 we delivered a wide-ranging programme of work that made a significant contribution to nature conservation, both nationally and internationally. Key achievements are listed below.
- In April 2002, we supported Defra at the 6th Conference of the Parties for the Convention on Biological Diversity in the Netherlands, most notably providing advice on guiding principles for alien invasive species, a mountain ecosystem work programme and marine protected areas.
 - In support of the Convention on International Trade in Endangered Species (CITES), we provided advice to Defra at the 12th Conference of the Parties in Chile in November 2002, contributing to successful achievement of the UK proposal to list basking shark on Appendix II of the Convention. During the course of the year we also responded to nearly 24,000 CITES licence consultations.
 - We worked with Government, country agencies, the European Commission and other bodies to gain agreement on a list of UK Special Areas of Conservation (SACs) that fully meets the requirements of the Habitats Directive. Through the JNCC website, we delivered comprehensive information on the UK SAC series to a wide range of users. We also co-ordinated work to complete the UK series of marine SACs and Special Protection Areas (SPAs), in particular providing formal advice to Government on the selection of the UK's first offshore SAC (the Darwin Mounds).
 - We continued to provide a high-quality enquiry and intelligence service on European nature conservation issues for staff in JNCC and the country agencies, through the provision of frequent briefings and reactive advice. In January 2003, we hosted a high-level seminar between country agency staff and DG Environment.
 - In support of the Government's Review of Marine Nature Conservation, we successfully completed the first year of the Irish Sea Pilot Project, which aims to trial the application of the ecosystem approach to the marine environment. Achievements during the year included defining and mapping ecological units and testing criteria for the identification of nationally important marine nature conservation features.
 - We worked to improve sustainability aspects of the Common Fisheries Policy by participating in EU and international scientific working groups, and responding to 12 Governmental or Parliamentary enquiries and consultations.
 - We provided responses to statutory consultations on offshore industries (including 31 Environmental Statements, 302 dispensations from Environmental Statements, 49 oil spill contingency plans, 89 consents under the Food and Environment Protection Act, 4 decommissioning proposals and 177 seismic survey applications), and advised the Department of Trade and Industry on the 21 oil and gas offshore licensing round and the 3rd Strategic Environmental Assessment for oil and gas.
 - We developed the UK Biodiversity Action Plan (BAP) website so that it could support online reporting against local BAPs and national Habitat and Species Action Plans.
 - We promoted UK-wide standards for monitoring protected sites by co-ordinating the preparation of draft monitoring guidance for habitat, species and earth science features on Sites of Special Scientific Interest (SSSIs), SACs, SPAs and Ramsar sites.
 - We enhanced our ability to report on the status of UK biodiversity by maintaining long-term surveillance programmes for wetland and terrestrial birds, seabirds, butterflies and moths, and progressing the development of a surveillance programme for terrestrial mammals.
 - Working with a wide range of partners, we continued to play a pivotal role in developing the infrastructure of the National Biodiversity Network (NBN) and providing access to key biodiversity datasets. We also represented the NBN as UK node to the Global Biodiversity Information Facility (GBIF).

- To support the collection and management of biodiversity data, we released a new version of Recorder (Recorder 2002), incorporating major improvements in response to user feedback.
- We worked with Government and the country agencies to agree a process for implementing the recommendations arising from JNCC's Financial Management and Policy Review (FMPR), through use of the Regulatory Reform Act and establishment of the JNCC as a company limited by guarantee.
- In December 2002, the Joint Committee agreed a revised Statement of Strategic Direction for the JNCC, following consultation with Government stakeholders. The Statement summarises our current position and possible future directions, and provides a basis for further strategic development over the coming year.

Future developments

9 Our key targets for 2003-2004 include the following

- Provide scientific advice to Government and country agencies on the implementation of the Convention on Biological Diversity (CBD), including advising on the development of a UK strategy for CBD implementation, and providing technical support to Defra at the 7th Conference of Parties in 2004.
- Provide scientific advice to Government on UK, EC and global policy and practice relating to the Convention on International Trade in Endangered Species, including providing on-line advice to Defra on approximately 24,000 licence consultations.
- Work with Government, statutory agencies and voluntary bodies to prepare and deliver a UK implementation programme for the Ramsar Convention Strategic Plan 2003-2008.
- Provide support to FCO and Overseas Territory governments on the development and implementation of conservation initiatives and conventions in the UK Overseas Territories.
- Provide high-quality technical advice, with the aim of influencing European environmental programmes and strategies (including the 6th Environmental Action Programme, and the EC Biodiversity Strategy and Action Plans) so that they deliver nature conservation gains in the UK and across Europe.
- Provide high-quality, timely advice to Government, country agencies and others regarding implementation of the EU Habitats and Birds Directive in the UK; in particular
 - complete the submission to the European Commission of an agreed list of UK SACs;
 - support the selection of terrestrial SPAs by undertaking targeted research;
 - support full implementation of the Directives in the marine environment, and especially beyond 12 nm, by providing advice to Government on site selection issues.
- Support Government in implementing the EU Water Framework Directive in the UK by providing advice on technical issues, such as the development of monitoring programmes and the characterisation of water bodies.
- Provide advice to DTI, devolved administrations and others on issues associated with marine industry, including about 45 Environmental Impact Assessments (EIAs), 400 EIA dispensations, 35 oil spill contingency plans, 30 dumping licences, 120 seismic applications and 30 miscellaneous items.
- Provide advice to DTI to enable full Strategic Environmental Assessment (SEA) to be carried out prior to further offshore renewables licensing and the 4th SEA process to be carried out fully prior to oil and gas licensing.
- Ensure that air pollution policies take nature conservation interests fully into account by providing technical advice to Government, and ensure that vulnerable habitats and species within SACs are protected from air pollution by developing and promoting robust approaches to undertaking 'appropriate assessments' under the Habitats Directive.
- Complete the Irish Sea Pilot Project and publish a final report, including conservation objectives, an assessment of how the approach contributes to sustainable development, and recommendations for changes to existing nature conservation mechanisms (legislation, enforcement and governance).

- Enhance the UK BAP website and the content of the NBN Gateway so that together they can handle the information required for the 2005 BAP reporting round and manage the information needed for biodiversity research co-ordination.
- In partnership with Defra, promote and enable biodiversity research that supports the delivery of UK BAP objectives, e.g. by establishing a collaborative programme for commissioning biodiversity research projects and updating web-based catalogues of research projects and research requirements.
- Agree with key partners a costed action plan to develop a framework and standards for the surveillance and monitoring of terrestrial, freshwater and coastal Annex I and BAP priority habitats.
- Develop a system for monitoring habitat, species and earth heritage interest features on SSSIs, SACs, SPAs and Ramsar sites, in close collaboration with the country agencies and other organisations; in particular, agree a comprehensive quality assurance programme for designated site monitoring, and produce an interim report summarising available site monitoring results for the UK.
- Establish a performance specification for the NBN Gateway taking into account the likely volume of information growth and estimates of usage by priority audiences over the next three years, and deliver improvements to the Gateway so that it meets the needs of the JNCC and partner organisations.
- Provide NBN access to JNCC habitat data sets and surveillance data for birds, seabirds and butterflies.
- Revise the JNCC website so that it contains balanced coverage of UK-level conservation issues, and allows users to efficiently find information and advice.
- Complete a comprehensive review of the JNCC's strategic position, identify strategic goals and priorities, and begin to draw up operational strategies.
- Continue to make progress towards implementing the recommendations arising from the JNCC's FMPR by working with Defra to progress to the scrutiny stage a Regulatory Reform Order, preparing draft governance documents for the new organisation, and progressing the negotiation of a single set of terms and conditions for JNCC staff.

Committee Members

10	Sir A Stirling (Chairman)	(21 July 1997 - 30 June 2002)*
	Mrs K Bryan	(07 October 2002 - 06 October 2005)*
	Sir E Cameron	(01 April 1999 - 30 March 2003)
	Prof R Dodgshon	(01 April 2003 - 31 March 2006)
	Sir M Doughty	(08 May 2001 - 07 May 2004)
	Prof P Doyle	(01 April 2000 - 31 March 2006)*
	Dr J Faulkner	(01 April 1991 - 01 April 2005)
	Prof O W Heal	(01 September 1996 - 31 March 2003)*
	Prof D Ingram	(01 April 2000 - 31 March 2006)*
	Mr J Lloyd Jones	(28 February 2000 - 28 February 2004)
	Dr J Markland	(01 April 1999 - 30 March 2003)
	Dr M Moser	(31 March 2001 - 31 March 2003)
	Prof R J Pentreath	(31 March 2000 - 31 March 2003)*
	Mr M Scott	(09 September 2000 - 09 September 2003)
	Prof L Warren	(05 June 1997 - 31 March 2003)

Sir Angus Stirling's term of office as Chairman concluded in June 2002 and Katharine Bryan took up the post of Chairman in October 2002. During the interim period Professor Heal was acting Chairman.

Professor Dodgshon and Professor Doyle joined Committee in April 2003, replacing Professor Warren and Professor Heal respectively. The Joint Nature Conservation Committee are only responsible for the remuneration of independent members, indicated by an `*' above. Members sponsored by the country agencies are remunerated directly by those agencies.

Legislation requires the appointment of 11 voting members to the Joint Nature Conservation Committee. These comprise the Chairman of the Committee and three independent members, all appointed by the Secretary of State for Environment, Food and Rural Affairs; the Chairman and one other member of each of the Councils of English Nature and the Countryside Council for Wales and the Board of Scottish Natural Heritage, and the Chairman of the Countryside Agency. Legislation also requires the appointment of two non-voting members to the Committee; these are appointed by the Department of the Environment for Northern Ireland. The term of appointments is typically three years and members may be considered for re-appointment for one further term.

The Committee has adopted the Code of Best Practice for Board Members of Public Bodies issued by HM Treasury (since superseded by Guidance on Codes of Practice for Board Members of Public Bodies issued by the Cabinet Office), for the purposes of Corporate Governance. The Committee maintains a Register of Interests of its Chairman, and of the independent and Northern Ireland members.

Registers of Interests are also maintained by the Councils, Board and Commission for their members. The Committee's Register of Interests is open to public inspection through the Committee Secretary and published in the Annual Report. Four formal Committee meetings take place annually and the achievement of targets and objectives are reviewed quarterly.

Corporate governance

11 The Committee's corporate governance arrangements are incorporated within the Statement of Internal Control.

Dr A Brown
Accounting Officer and Chief Executive

30 June 2003

Statement on Internal Control

Internal control: principles and progress

As Managing Director, I have responsibility for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives of the Joint Nature Conservation Committee (JNCC), set by the Joint Committee, whilst safeguarding the public funds and assets for which I am responsible, in accordance with the statement of accounting responsibilities placed upon me by the Chief Executive of English Nature on behalf of the Accounting Officers of English Nature, Scottish Natural Heritage and the Countryside Council for Wales, in accordance with the responsibilities assigned to those Accounting Officers in Government Accounting.

The system of internal control is designed to manage rather than eliminate risk of failure to achieve policies, aims and objectives, and can only provide reasonable and not absolute assurance of its effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the JNCC's policies, aims and objectives, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. This process has been in place for the major part of the year ended 31 March 2003, and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

As Managing Director, I also have responsibility for reviewing the effectiveness of the system of internal control. The JNCC has established the following processes

Governance

The Joint Nature Conservation Committee

Members of Committee have overall responsibility for the agreement of the Corporate Plan priorities and resources and monitor performance against this throughout the year.

Chief Executives

Quarterly I meet with Chief Executives from English Nature, Scottish Natural Heritage and the Countryside Council for Wales in their Accounting Officer capacities.

Management Team

The JNCC has a Management Team which meets monthly to consider the organisation's plans and strategic direction and to monitor progress against targets (the team consists of the Managing Director, Projects Director and other senior managers).

Internal financial control

The system of internal financial control is based on a framework of regular management information, administration procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Management Team;
- regular reviews by the Management Team of periodic and annual financial reports which indicate financial performance against the forecasts;
- setting targets to measure financial performance and timeliness of target completion.

The Audit and Risk Management Committee

The English Nature Audit and Risk Management Committee acts on behalf of the three conservation agencies in relation to the JNCC and has an exclusively non-executive membership. It raises concerns and issues as necessary with the Accounting Officer of English Nature. Its terms of reference require internal control and risk management to be considered on a regular basis throughout the year.

A representative of the JNCC attends the English Nature Audit and Risk Management Committee meetings, and periodic reports from the Chairman of the Committee are received by the Managing Director of the JNCC. These reports concern internal control, and a status report from the JNCC is presented to every meeting of the English Nature Audit and Risk Management Committee to advise the steps taken to manage risk within the JNCC, including a progress report on each corporate risk.

Risk management

The risk register that was in place throughout 2001-2002 has been reviewed to widen risk management work and refined to include both corporate and lower level risks. Throughout the 2002-2003 reporting period the JNCC has taken the following action to further develop its risk management systems

- quarterly reports from manager on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects;
- regular discussion by the JNCC's Management Team to identify and keep up to date the record of risks facing the organisation;
- implementation of a robust prioritisation methodology based on risk ranking and cost-benefit analysis;
- aintenance of an organisation-wide risk register.

During 2003-2004, the JNCC plans to establish key performance and risk indicators for the organisation.

Internal Audit

Internal Audit of the JNCC and its Support Unit is carried out by representatives from the internal audit functions of the three agencies. They submit regular reports by the appointed internal auditors in accordance with the requirements of Government Internal Audit Standards ("GIAS"). The reports include the opinions of senior internal auditors representing English Nature, Scottish Natural Heritage and the Countryside Council for Wales concerning the adequacy and effectiveness of the JNCC's system of internal control together with recommendations for improvement.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the JNCC Support Unit 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.

D Steer
Managing Director

30 June 2003

Joint Nature Conservation Committee Income and Expenditure account for the year 31 March 2003

	Notes	2002-2003 £000	2002-2003 £000	2001-2002 £000
Gross income				
Grant in aid	17	5,205		4,546
Income from activities	2	853		709
			6,058	5,255
Expenditure				
Conservation support	3	2,020		1,909
Information and publicity	4	293		92
Staff costs	5.1	2,770		2,121
Other operating costs	6	1,270		1,013
Depreciation	7	91		93
Impairment of asset values	7	12		64
Assets written off	7	48		
Notional costs	8	35		40
			6,539	5,332
(Deficit) on operating activities			(481)	(77)
(Loss) on sale of fixed assets				(9)
Interest receivable			9	9
Notional costs	8		35	40
Appropriations				
Transfer from government grant reserve	10		155	170
Retained (deficit)/surplus for the financial year			(282)	133

All income and expenditure derives from continuing activities. There were no material acquisitions or disposals in the year.

Statement of Total Recognised Gains and Losses

	2002-2003 £000	2001-2002 £000
(Deficit)/surplus for the financial year	(282)	133
Grant for capital assets (Note10)	179	104
Net gain on revaluation of assets (Note 10)	1	4
Transfer from government grant reserve	(155)	(170)
Total gains and losses relating to the year	(257)	71

The accounting policies and notes on page 49 to 56 form part of these financial statements.

Joint Nature Conservation Committee Balance Sheet as at 31 March 2003

	Notes	2002-2003 £000	2002-2003 £000	2001-2002 £000
Fixed assets				
Tangible assets	7		361	336
Current assets				
Stocks	11	102		245
Debtors	12	491		250
Cash at bank and in hand		67		119
		660		614
Creditors amounts falling due within one year	13	(570)		(242)
Net current assets			90	372
Net assets less all liabilities			451	708
Capital and reserves				
Government grant reserve	10		361	269
Income and expenditure account	9		90	439
			451	708

The accounting policies and notes on pages 49 to 56 form part of these financial statements.

Dr A Brown
Accounting Officer and Chief Executive

30 June 2003

Joint Nature Conservation Committee Cash Flow Statement for the year ended 31 March 2003

	2002-2003 £000	2001-2002 £000
Operating activities		
Grant in aid received	5,205	4,546
Receipts	613	569
Payments	(5,883)	(5,163)
Net cash (outflow) from operating activities (See Note 1)	(65)	(48)
Returns on investments		
Interest received	8	10
Capital expenditure		
Payments to acquire fixed assets	(179)	(104)
Proceeds from sale of fixed assets	5	
Net cash (outflow) before financing	(231)	(142)
Financing		
Government grants received and applied to the purchase of fixed assets	179	104
Increase in cash and cash equivalents (see Note 2)	(52)	(38)

The notes on page 47 to 48 form part of this statement.

Note 1 to the Cashflow Statement

Reconciliation of operating surplus to net cash (outflow) from operating activities

	2002-2003 £000	2001-2002 £000
Operating (deficit)	(481)	(77)
Depreciation charge	91	93
Write off of assets	48	
Impairment of asset values	12	64
Decrease/(increase) in stocks	143	(75)
(Increase) in debtors	(241)	(139)
(Increase) in closing debtor on interest		(1)
Increase in creditors	328	47
Notional costs	35	40
Net (outflow) from operating activities	(65)	(48)

Note 2 to the Cashflow Statement

Reconciliation of net cash flow to movement in net funds

	At 1 April 2002 £000	Cashflows £000	At 31 March 2003 £000
Cash at bank and in hand	119	(52)	67

Joint Nature Conservation Committee

Notes to the Financial Statements

1 Statement of accounting policies

Basis of accounting

- 1.1 i The financial statements are intended, without limiting the information given, to meet the requirements of the Companies Act 1985 and 1989 and the Statements of Standard Accounting Practice and Financial Reporting Standards issued or approved by the Accounting Standards Board, insofar as these requirements are appropriate. These accounts reflect changes in the 'Executive NDPB's Annual Reports and Accounts Guidance'.
- ii 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 fixed assets are taken to a Government Grant Reserve.

Fixed assets and depreciation

- 1.3 Depreciation is provided on all tangible 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

Improvement to leasehold properties	depreciated over life of individual leases (1 - 49 years)
Computer equipment	5 years
Other equipment	5 to 10 years
Vehicles	5 years

- i Improvements to leasehold properties 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.
- ii 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.
- iii 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.
- iv Fixed assets costing less than £2,000, are charged to the income and expenditure account in the year of purchase.

Stock valuation

- 1.4 Stocks are valued using the lower of cost or net realisable value.

The stock valuation is adjusted for obsolete stock, which is considered to be those stocks with levels of over ten years worth of sales remaining and where it is considered unlikely that there will be any future income flow.

Bad debts

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

Value added taxation (VAT)

- 1.6 As from 1 December 1995 the Joint Nature Conservation Committee has been registered for VAT purposes, on behalf of the three Councils as a partnership, and VAT returns are completed on a quarterly basis.

Grants receivable

- 1.7 Government grants received 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.

Research and development

- 1.8 The Committee write off all expenditure on research and development in the year it occurs.

Notional costs

- 1.9 In line with HM Treasury guidance '*Executive NDPB's Annual Reports and Accounts Guidance*', the Committee recognise notional costs with respect to cost of capital.

Cost of capital - The financing structure of the Committee 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 6 per cent cost of capital on average net assets.

Operating leases

- 1.10 Rentals are charged to the income and expenditure account as incurred over the life of each lease.

Managing risk in financial instruments

- 1.11 The Committee 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.

Transactions that are denominated in a foreign currency are translated into sterling at the exchange rate on the date of the transaction.

2 Income from activities

	2002-2003	2001-2002
	£000	£000
Sales of publications	52	73
Advice and other services	761	631
Other receipts	40	5
	<u>853</u>	<u>709</u>

Income from sales is stated net of VAT and trade discounts

3 Conservation Support

	2002-2003 £000	2001-2002 £000
Contracted out survey and research	1,898	1,812
Other costs	122	97
	<u>2,020</u>	<u>1,909</u>

4 Information and publicity

	2002-2003 £000	2001-2002 £000
Publications	279	78
Other publicity costs	14	14
	<u>293</u>	<u>92</u>

5.1 Staff costs

	2002-2003 £000	2001-2002 £000
<i>Direct costs of salaries excluding National Insurance</i>		
Chairman	24	30
Members	27	24
Staff	2,371	1,955
Social security costs	163	112
Accruing superannuation liability charge payment	185	0
	<u>2,770</u>	<u>2,121</u>

All the Committee staff are employed by either English Nature, Scottish Natural Heritage or the Countryside Council for Wales.

5.2 Staff numbers

The average number of permanent staff during the year was 85 (70 in 2002-2003), these were employed as follows

	2002-2003 No.	2001-2002 No.
Management	15	15
Operational	45	30
Administration	23	23
IT	2	2
Total	<u>85</u>	<u>70</u>

During 2002-2003 the average number of permanent English Nature staff assigned to the Committee was 52, 24 were assigned from Scottish Natural Heritage and nine from the Countryside Council for Wales.

5.3 Senior staff

The salary and pension entitlements of the most senior members of the Committee were as follows

			Age	Salary including performance pay	Real increase in pension at 60	Total accrued pension at 60 as at 31 March 2003	Time commitment days per year
				£000	£000	£000	
Council Members							
Sir A Stirling	Chairman	21 July 1997 to 30 June 2002	68	5 - 10	n/a	n/a	104
Mrs K Bryan	Chairman	7 October 2002 to 6 October 2005	50	15 - 20	n/a	n/a	
Prof Ingram	Independent member	1 April 2000 to 31 March 2006	61	5 - 10	n/a	n/a	30
Prof OW Heal	Independent member	1 September 1996 to 31 March 2003	67	10 - 15	n/a	n/a	30
Prof RJ Pentreath	Independent member	31 March 2000 to 31 March 2003	58	5 - 10	n/a	n/a	30
Senior Staff							
Mr D Steer	Managing Director		50	50 - 55	0 - 2.5	15 - 20	n/a

'Salary' includes gross salary and performance pay. The Committee is only responsible for the remuneration of the independent members. Members sponsored by the country agencies are remunerated directly by those agencies. The Committee is advised of the salaries of the Committee members by the Department for Food, the Environment and Rural Affairs. No bonus payments were made.

The Managing Director is a member of the Classic Principal Civil Service Pension Scheme, the benefits of which are set out in the English Nature Accounts (note 15.3). The independent members are not members of the pension scheme.

6 Other operating cost

	2002-2003	2001-2002
	£000	£000
Members' travel and subsistence costs	10	8
Members' other support costs	8	6
Staff travel and subsistence costs	239	216
Staff support costs	147	110
Accommodation costs	347	332
Equipment and consumables	270	135
Postage and telephones	77	86
Other support costs	110	81
Audit fee	15	14
Library	8	10
Hospitality	39	15
Bad debt		
	1,270	1,013

No interest was payable in 2001-2002 or 2002-2003.

The above costs include

Operating lease rentals	183	185
-------------------------	-----	-----

7 Fixed assets at cost or valuation

	Improvements to leasehold premises £000	Computer equipment £000	Other equipment £000	Vehicles £000	Total £000
As at 1 April 2002	364	421	241	36	1,062
Additions during year		123	34	22	179
Less disposals		(308)	(9)	(19)	(336)
Revaluation	(3)		15	1	13
Impairment		(18)			(18)
As at 31 March 2003	361	218	281	40	900
Less depreciation as at 1 April 2002	188	337	165	36	726
Charge for the year	15	39	33	4	91
Less depreciation on disposals		(258)	(7)	(19)	(284)
Depreciation on revaluation	3		8	1	12
Less depreciation on impairment		(6)			(6)
As at 31 March 2003	206	112	199	22	539
Written down values at 31 March 2003	155	106	82	18	361
Written down value as at 31 March 2002	176	84	76	0	336

Disposals

Disposals includes a net figure of £48,000 of assets written off in year.

Operating leases

As at 31 March 2003 the Committee had annual commitments under operating leases as set out below

	Buildings £000
<i>Operating leases which expire</i>	
Within one year	0
In the second to fifth year inclusive	41
Over five years	<u>142</u>

All leasehold buildings are short-term leases as defined in accounting policy Note 1.3 (Fixed assets and depreciation).

8 Notional costs

	2002-2003 £000	2001-2002 £000
Cost of capital	<u>35</u>	<u>40</u>
	35	40

9 Statement of Retained Surplus

	2002-2003 £000	2001-2002 £000
Retained surplus brought forward	439	306
Retained (deficit)/surplus for the financial year	(282)	133
Transfer to government grant reserve	(67)	-
Retained surplus carried forward	<u>90</u>	<u>439</u>

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

10 Government grant reserve

	2002-2003 £000	2001-2002 £000
Balance brought forward at 1 April 2002	269	331
Arising on revaluations in the year	1	4
Capital grant received in the year and applied to the purchase of capital assets	179	104
	<u>449</u>	<u>439</u>
Transfer to Income and Expenditure:		
Depreciation for the year	91	93
Release of unexpended depreciation on assets disposed of in year	52	9
Impairment of asset values	12	64
Excess depreciation charged on assets revalued	0	4
	<u>155</u>	<u>170</u>
Transfer from income and expenditure account	67	
Balance carried forward at 31 March 2003	<u>361</u>	<u>269</u>

11 Stocks

	2002-2003 £000	2001-2002 £000
Publications	<u>102</u>	<u>245</u>

12 Debtors

	2002-2003 £000	2001-2002 £000
Trade debtors	322	120
Other debtors	19	22
Prepayments	150	108
	<u>491</u>	<u>250</u>

13 Creditors

	2002-2003	2001-2002
	£000	£000
Trade creditors	411	145
Other creditors	31	27
VAT creditors	5	4
Deferred income	123	66
	<u>570</u>	<u>242</u>

14 Government grant in aid

Grant in aid receivable in respect of

	2002-2003	2001-2002
	£000	£000
Grant in aid entitled to receive in cash terms	5,384	4,650
Gross grant in aid received	5,384	4,650
Capital expenditure	179	104
Released to income & expenditure account	<u>5,205</u>	<u>4,546</u>

15 Capital commitments

As at 31 March 2003 the Committee had no capital commitments.

16 Reconciliation of movements in public funds

	2002-2003	2001-2002
	£000	£000
Opening public funds	708	637
Movement on government grant account	92	(62)
Retained surplus for the financial year	(282)	133
Transfer to government grant reserve	(67)	0
Closing public funds	<u>451</u>	<u>708</u>

17 Grant in aid income

Breakdown of grant in aid income (excluding capital) attributable to the three Councils

	2002-2003	2002-2003	2001-2002
	%	£000	£000
English nature	56.17	2,924	2,573
Scottish natural heritage	30.09	1,566	1,345
Countryside council for Wales	13.74	715	628
		<u>5,205</u>	<u>4,546</u>

18 Net revenue expenditure

Breakdown of net revenue expenditure incurred by the Joint Nature Conservation Committee on behalf of the three Councils

	2002-2003 %	2002-2003 £000	2001-2002 £000
English nature	56.17	3,673	3,018
Scottish natural heritage	30.09	1,968	1,578
Countryside council for Wales	13.74	898	736
		<u>6,539</u>	<u>5,332</u>

19 Losses and special payments

During the year there were six (five in 2001-2002) losses identified totalling £1,172 (£2,636 in 2001-2002).

20 Related party transactions

The Joint Nature Conservation Committee is the statutory committee through which English Nature, Scottish Natural Heritage and the Countryside Council for Wales exercise their joint functions.

The Committee receive their funding from these three Conservation Councils, which are Non-Departmental Public Bodies respectively sponsored by the Department for Environment, Food and Rural Affairs, the Scottish Executive and the Welsh Assembly.

The above bodies are regarded as related parties. During the year the Committee has carried out a number of material transactions with these bodies in the normal course of business.

During the year the committee, 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 a financial interest:

Table of transactions between JNCC and related bodies

Individual staff/ council member	Corporate related body	JNCC paid £000	Received £000
Mr D Steer, Trustee	National Biodiversity Network Trust	12	20
Dr M Moser, Trustee	RSPB	7	5

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