



**Cyfoeth
Naturiol**
Cymru
**Natural
Resources**
Wales

Annual Report and Accounts

// 1 April 2014 – 31 March 2015



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Welcome

This is our second full year as a vested body and approaching the end of my third year in getting the organisation up and running. I am proud of what we have achieved, but not complacent. The challenges we face are typical of the changes we want to make and are making in Wales.



Wales can be proud – the ideas that were conceived about integrated natural resource management and their delivery through our creation and new legislation are truly world-leading. We are watched with admiration, so please be patient and focus on a glass which is substantially full rather than a glass which is yet to be filled.

I will retire during the next financial year, so my successor will write the welcome note for the 2015/16 Annual Report. So now is the time to say that I think my appointment as the first Chairperson of Natural Resources Wales, has been the crowning achievement of my career, and I have been more than satisfied.

I would like to acknowledge the generosity of the welcome I have received and the productive companionship of my fellow Board members and of Emyr Roberts, our Chief Executive, and his team.

Peter Matthews

Professor Peter Matthews
Chair

In last year's report, we described our first year as 'eventful'. Our second year has been challenging and successful.



Challenging in the sense that we had a great deal of 'transactional' activities to achieve, as well as delivering business as usual. We successfully put all NRW staff on to a single ICT system, we agreed a single Total Reward Package for everyone in place of the three separate terms and conditions, and we completed our internal restructuring by creating integrated teams. On top of this, we managed a complex series of programmes and projects to establish NRW's standalone capability – some 117 projects in total, of which over 90% were delivered in-year. All this was in addition to our regular activities – and it is a huge testament for everyone who works for NRW that we managed this scale of change in such a limited time period.

We also successfully moved the organisation forward in terms of services to our customers, our contribution to the Welsh economy, and our management of our natural resources. I was especially pleased that our three natural resource management trials are working well and we are getting real buy-in to our work from the local communities.

We realise that we have much more to do, and we have not always got everything right. We are still a very young organisation and are keen to learn. Hopefully this Annual Report will give you a flavour of the journey we are on.

Emyr Roberts

Dr Emyr Roberts
Chief Executive

Who we are

Natural Resources Wales is a Welsh Government Sponsored Body, responsible for making sure that the environment and natural resources of Wales are sustainably maintained, sustainably enhanced and sustainably used, now and in the future.

Wales is the first country in the world to create one organisation that brings together many of the tools needed to help manage our natural resources coherently. We can achieve much more by joining up important services so they are working together to deliver sustainable outcomes.

Our success depends on how we work together, living our values to create a better Wales.

We have a wide range of roles and responsibilities:

Adviser: principal adviser to Welsh Government, and adviser to industry and the wider public and voluntary sector, and communicator about issues relating to the environment and its natural resources

Regulator: protecting people and the environment including marine, forest and waste industries, and prosecuting those who breach the regulations that we are responsible for

Designator: for Sites of Special Scientific Interest – areas of particular value for their wildlife or geology, Areas of Outstanding Natural Beauty (AONBs), and National Parks, as well as declaring National Nature Reserves

Responder: to some 9,000 reported environmental incidents a year as a Category 1 emergency responder

Statutory consultee: to some 9,000 planning applications a year

Manager/Operator: managing seven per cent of Wales' land area including woodlands, National Nature Reserves, water and flood defences, and operating our visitor centres, recreation facilities and a laboratory

Partner, Educator and Enabler: key collaborator with the public, private and voluntary sectors, providing grant aid, and helping a wide range of people use the environment as a learning resource; acting as a catalyst for others' work

Evidence gatherer: monitoring our environment, commissioning and undertaking research, developing our knowledge, and being a public records body

Employer: of over 1,900 staff, as well as supporting other employment through contract work and volunteering opportunities.

Our values are:

Passionate and ambitious about our work and the positive impact we will have

Disciplined and focussed in our prioritisation and delivery

Trusted and professional in our relationships with stakeholders, staff, and their representatives

Taking a **common sense approach** to our work and being **responsible** and **accountable** for our actions.

Strategic Report

Whilst our environment is worth £8 billion to the Welsh economy, we believe there is the potential to unlock much more for the people, communities and environment in Wales. We have the ability to adapt to the changing needs of society quickly – providing better services, making more informed decisions, and forming strong partnerships.

As a Welsh Government Sponsored Body our primary role is to fulfil our statutory responsibilities and to meet the aims established for us by the Welsh Ministers. Our objectives are set both through a long-term outcome approach and an annual Remit Letter to establish areas of our work that require a particular focus. To meet these objectives we prepare a longer term corporate plan, supported by an annual business plan.

The last year has had its challenges – bringing the three organisations together to deliver benefits for the people, economy and environment of Wales. Reduced funding and staff numbers has required us to be clear about priorities and the way we use our money.

Our focus has been to develop natural resource

management, improve our range of services to customers and partners, and support Welsh Government in developing new legislation and policy to progress green growth, tackle poverty, use resources efficiently and enhance resilience and diversity. We have delivered against the Business Case for the creation of our organisation, largely completing our transition phase and preparing for transformation to improve our ways of working.

This is our first report against our first Corporate Plan 2014 – 2017 and we have used its five themes: Good Knowledge; Good Environment; Good for People; Good for Business and Good Organisation to structure our Business Plan 2014/15, performance reporting and this Strategic Report. Our progress is monitored by our Board and Welsh Government and published on our website three times each year. The results for 2014/15 are reported in Annex 1. Over the following pages we highlight our progress to date towards meeting our objectives in the Business Case and our Corporate Plan.

Our themes are integrated, demonstrating the multiple benefits our work has on the Welsh environment, economy and communities. They also support the following outcomes we share with the Welsh Government.

- Enhancing our environment
- Protecting people
- Supporting enterprise and jobs
- Improving the nation's health
- Viable and vibrant places
- Delivering social justice
- Supporting skills and knowledge

Looking ahead, our work will be aligned to the new set of goals within the Well-being of Future Generations (Wales) Act.

Ensuring **better**
delivery for Wales

Delivering the Business Case

This year has seen significant progress in the development of Natural Resources Wales to achieve standalone capability, laying the foundations for the achievement of the benefits identified in the business case that supported the decision to establish our organisation.

Ensuring better delivery for Wales, we are aligning our work as a regulator more clearly with Wales' priorities.

For example, the permit review under the Industrial Emissions Directive for the integrated steel works in Port Talbot was an illustration of the advantages we have in delivery of complex projects over the predecessor organisations. We were able to provide advice and guidance more speedily, focus on environmental improvements, and help to optimise the investment to achieve the greatest environmental benefit. Having an integrated project team approach allowed certainty of investment by being able to identify projects early and achieve benefit for the economy in Wales.

Achieving better outcomes for Wales is a priority for us by providing joined up advice and clearer guidance in our roles as adviser and statutory consultee.

Working with our customers and partners we have made improvements to our permitting and planning advice and guidance. The simpler and more consistent approach to hydropower is giving greater clarity to developers, helping us issue permits more quickly and making it easier for us to minimise risks of significant environmental impacts. Our permitting service have issued 90% of permits within target timescales this year while our town and country planning consultation responses have improved to over 80% within target timescales.

Our Customer Care Centre gives a single point of contact for natural resource matters in Wales and is focussed exclusively on issues of importance to customers in Wales.

Our more modern online registration services offer greater functionality for customers and, in the case of waste registrations, show

us trends that help us target interventions to avoid environmental impacts.

We have increased the resilience of our flood response capability at no extra cost by training extra staff from legacy Forestry Commission and Countryside Council of Wales roles to join the duty rotas with staff from Environment Agency Wales.

We have delivered an effective response to the damaging outbreak of larch disease as a result of integrating forest management skills with the incident response capability from two of the legacy bodies.

Realising better value for money, we are expecting to generate benefits of £158 million over our first 10 years through the greater efficiencies gained by bringing three organisations into one.

From vesting day on 1 April 2013 we have created savings worth £10.9 million per year compared with the baseline. The changes identified and in the pipeline will increase the net

Achieving **better outcomes for Wales**

annual savings to around £19 million per year by 2018/19.

Beyond that we forecast that the accumulation of cash-realizable savings created or in the pipeline will achieve the Business Case target of £127 million over the 10 years to 2022/23. The major contributions to this cash target include:

- reducing non-ICT service payments to Environment Agency and Forestry Commission GB by £11 million a year
- delivering our standalone ICT services for £6 million per year instead of the £8 million baseline
- our rationalisation of accommodation that has already saved £0.3 million a year
- the new Enterprise Resource Planning system that costs £1.9 million less to run a year.

Although it is early days for significant improvements in productivity (non-cash realisable benefits), we forecast that efficiencies already made will accumulate to give approximately £16 million of non-cash realisable benefit over the first 10 years. For example a LEAN process

improvement project on our sample collection activity realised at least £0.3 million a year in greater productivity and saving over 200,000 car miles a year.

The Transformation programme will improve productivity in many more parts of the business over the next two years as part of the Improving Efficiency and Service Delivery Programme. The opportunities already identified give confidence that we are in a good position to achieve the Business Case target of £31 million non-cash realisable benefit.

From vesting day on 1 April 2013 we have created savings worth

£10.9 million per year

Realising **better**
value for money

Good knowledge

We want to gain wisdom and understanding of our natural resources and how we affect them – using evidence and applying learning from experience, so that we make good decisions.

Our role involves gathering evidence and offering advice on environmental matters in order to inform the decisions of others as well as our own.

Developing our approach to Natural Resource Management (NRM) has been a priority for us this year, ensuring clarity around our vision, objectives, projects and resourcing. We established three trial areas in Dyfi, Tawe and Rhondda to test how we consider the pressures and demands on the resources in these areas, and the opportunities for providing multiple benefits for local people and nature. We are expecting to use

this information to support the development of the Environment Bill during 2015/16.

We agreed our approach to producing our first State of Natural Resources Report (SoNaRR) with Welsh Government, including our vision over the initial cycles of the report and what evidence is required. SoNaRR will provide a credible evidence base for policy on how natural resources are managed and sustainably used to secure their long term capacity to deliver benefits. We will now produce the first report in autumn 2016 and use the

information to inform our first Area Statements, also a requirement on us from the Environment Bill. The report will also be available to the new Public Service Boards who will develop Wales' first local Well-being Plans in 2018.

We are the first organisation in the world to have deployed Geographical Information Systems (GIS) applications via cloud technology on an organisation wide scale. This enables staff to access applications and data in any location from various IT devices which greatly helps with consistent decision



Restoration of sand dunes – one of the Tawe trial's nature fund projects – has the added benefit of reducing windblown sand that smothers the Swansea Bay cycle path and highway.

making. We collated and centralised all our spatial data and applications and made them available to all staff through cloud technology. Staff are now using GIS to create, visualise, analyse, and manage spatial information allowing us to make better informed business decisions, for example when determining permitting and planning applications. We use our knowledge

to inform our decisions affecting the environment. Scientific evidence from the UK and abroad suggested there were more effective ways to support salmon in Welsh rivers than stocking rivers with hatchery reared young salmon. We published our evidence and invited comments through a public consultation. Based on our knowledge, we took the decision to close our hatcheries at Mawddach,

near Dolgellau, and Maerdy, near Corwen. The savings from running our hatcheries will be used to improve fisheries in rivers which have previously been stocked, including work to improve habitats or to open new migratory routes.

Good environment

We want ecosystems to be resilient and secure for the future, wildlife and landscapes enhanced, and the use of our natural resources to be carefully managed.

Our roles as an operator, regulator and designator contribute to sustainably managing the land and water we're responsible for, protecting and improving the environment in Wales, halting biodiversity loss and making Wales more resilient to climate change.

Work has continued to tackle the spread of *Phytophthora ramorum*, following a major outbreak of the disease discovered in 2013. As part of a nationwide strategy, we continue to fell infected larch trees. Work has also taken place to replant 420 hectares of woodland felled due to the disease giving us the opportunity to replace them

with a range of resilient, native broad-leaf woodland trees. In the last 12 months, we have planted more than one million trees to restock felled areas including at Bryn, Crynant, Clocaenog, Mynydd Ddu, Penhydd, Michaelston, Talybont and Wentwood. This is alongside the 2.5 million trees replanted at other woodlands to regenerate the forests after felling for timber production.

We value partnership working in delivering joint environmental outcomes. In 2014, we launched our first round of Competitive Funding and Joint Working Partnership schemes. We

received over 200 funding applications, and each one was assessed against the priorities we set.

We already fund partners to deliver a huge amount of biodiversity work, examples including:

- £92,000 for Special Sites Project that delivers site assessments, management plans, conservation measures and monitoring
- £56,000 to help clear rhododendron from around Sygun Mawr in North Wales.



The UK's population of water voles has reduced by up to **95%** since the 1960s.

We released around 100 water voles at Ffrwd Farm near Pembrey to help tackle their decline in the Welsh countryside.

Halting biodiversity loss is not only a challenge in Wales, but across Europe. Our latest evidence of biodiversity features in favourable condition shows a slight increase in terrestrial features, but the overall picture, including marine and freshwater, remains at 26% of features in favourable condition. Improving this position will require co-ordinated efforts of many agencies, organisations and Welsh Government.

Although we missed our target to deliver our actions facilitating appropriate conservation management on sites, we have supported a significant number of initiatives to improve biodiversity, for example:

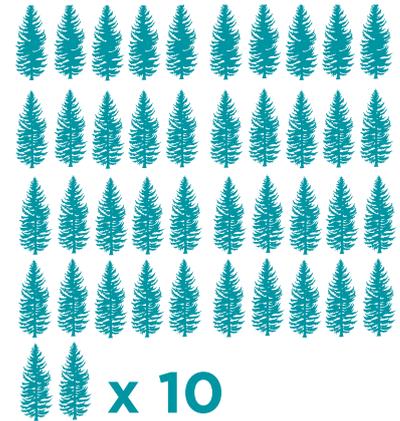
- 32 new management agreements, covering 632ha, were signed with land owners or tenants to bring SSSIs into better ecological condition. A further 81 agreements that

had come to an end were reviewed and renewed, covering an additional 7238ha.

- Our managed retreat to restore saltmarsh at Cwm Ivy (Whitford Burrows, Gower) project, the first of its kind in Wales, will look at how best to recreate 39 hectares of saltmarsh habitat. This will compensate for habitat loss that is predicted to occur in the future across the Carmarthen Bay SAC and will help enable future coastal flood defence works in the region to go ahead.
- Our Welsh dune rejuvenation project is to restore self-sustaining dynamic processes to three major Welsh dune systems at Kenfig, Merthyr Mawr and Newborough.

We are delivering a specific work programme of land management measures to support pollinators including

We have replanted
420 hectares
of woodland felled due to the disease *Phytophthora ramorum*



management of 14 sites in the public forest estate and signing a Memorandum of Understanding with the Welsh Beekeepers Association.

Good for people

We want people to be safe, and enjoy and benefit from our natural resources and understand their relevance in our day to day lives.

Our roles as an operator, regulator, responder and educator are keeping people safe and encouraging people to visit the Welsh environment.

We maintain 313 miles of flood defences, manage 4,000 flood defence assets, support 703 community flood plans, and offer flood warning and flood forecasting services to help reduce the risk and increase preparedness in the event of a flood. This year, 467 homes and businesses in the lower Swansea Vale,

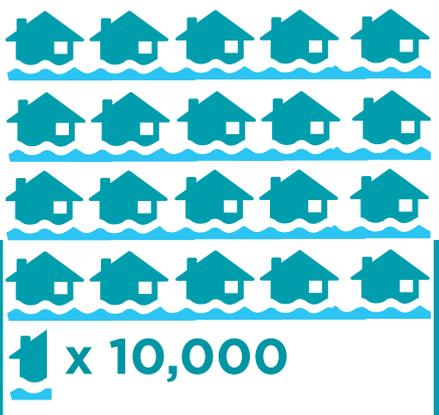
Rhymney, Penclawdd and Mwildan Weir now benefit from an increased level of protection against flooding as a result of new flood defences.

In lower Swansea Vale we completed a flood scheme to protect 300 homes and businesses. The consequences of flooding in this area would be serious - not only affecting people's homes, but damaging an important area for business and risking the whole economy of the area. A number of bridges were

16.5% fewer serious environmental incidents since 2013/14.

removed or raised to allow more water to pass as well as raising the embankments which has helped to create a natural wetland area which has boosted the ecological status of the River Tawe. The scheme also included additional benefits for the community such as upgrading the local cycle route, installing a new footbridge and improving habitat for wildlife.

208,500 properties, approximately 11% of properties in Wales, are at risk of flooding.



Whilst protecting 300 homes in the lower Swansea Vale through a new flood protection scheme, we also upgraded the local cycle route, installed a new footbridge and improved habitat for wildlife.

Our new free apps are encouraging people to get out and enjoy the outdoors and make it easier for people to find and enjoy the sites we manage. 'Places to Go' shows where people can go and what people can do in Wales's public forests and National Nature Reserves while 'Place Tales' explains the natural and cultural heritage of these sites, including audio trails and folk tales, bringing these mythical

places to life. All featured sites have car parks and trails to help people experience the best of Wales's forests and reserves including our walking, mountain bike and horse-riding trails.

Working with Agored Cymru, we have developed a new River Restoration qualification which is connecting people with their natural environment focusing on skills needed for an introduction to river

restoration and maintenance. The qualification has been designed to be used by organisations to train their volunteers in river restoration work, share good practice, develop a consistent approach to river restoration and ensure the volunteers get a useful accreditation which they can use in their future career or just for fun.



Encouraging people to get out and about is a valuable part of the work we do and these Apps make it even easier for people to find and enjoy the estates we manage.

Good for Business

We want Wales to be a 'location of choice' for business and enterprise and a place where best practice environmental management is adopted and encouraged.

Our roles as a manager, advisor, regulator and statutory consultee are supporting businesses working with the natural environment and benefiting the Welsh economy.

Our Energy Delivery Programme produced £2.5 million of net income to Welsh Government through the Wind Energy Programme, Small Scale Hydro Programme and Third Party Accesses related to energy projects on the NRW Managed Estate. By ensuring the estate is 'open for business' to the energy sector in Wales, we are seeing direct financial benefit

for Welsh Government and NRW with these projects providing important opportunities for the supply chain and jobs in Wales.

This year we have seen significant progress in our Wind Energy Programme. In preparation for future developer construction, our Energy Delivery Programme worked closely with developers and delivered tree clearance at RWE Innogy UK's Brechfa Forest West Wind Energy Project, and tree clearance work is nearly completed at RWE Innogy UK's Clocaenog Forest Wind Energy Project, as part of the pre-

construction phase in both projects. Vattenfalls' Pen y Cymoedd Wind Energy Project, the largest windfarm in England and Wales, is well advanced into the construction phase and continues to progress with support from the Energy Delivery Programme.

We have also facilitated five small scale hydropower schemes on our managed estate and will enable a further 10 schemes for delivery next year. Our Energy Delivery Programme meets the aspirations of Welsh Government's Low Carbon Economy agenda, contributes significantly to



We continue to be the largest supplier of certified timber in Wales.

reducing the use of carbon and addresses the impact of climate change while protecting the environment.

We have worked closely with both the Forestry sector and the Welsh Government to clarify responsibilities arising from changes to institutional arrangements in April 2013, as well as jointly developing a number of forestry initiatives of common interest. We also formally responded to the Environment and Sustainability Committee's inquiry into forestry in Wales by developing a joint action plan with the Welsh Government that is informing all our engagement with the wider sector.

We continue to be the largest supplier of certified timber in Wales, this year putting to market 869,166m³ overbark standing of timber. This sustainable woodland management supports further employment in the forestry sector across Wales.

Our enforcement action continues to help protect the environment while working to create a level playing field for legitimate businesses. 158 prosecutions for waste, water quality and fisheries offences saw the Courts impose fines totalling £27,760 and awarded costs of £80,030 to NRW. Proceeds of Crime Act Confiscation Orders relating to our prosecutions totalled over £1 million which

is divided between the Home Office and other partner organisations.

Our website now hosts an increasing number of online services, such as registration of waste and water exemptions, hazardous waste registrations and waste carriers and broker's permits, reducing administrative burden by improving access for our customers.

Good Organisation

We want to be a well led and well managed organisation, with suitably skilled and experienced staff and effective underpinning systems and processes; transparent in our decision-making and continuously improving our service to customers and partners, benchmarking ourselves against the very best.

Our work as a manager and employer is helping our transition to become one organisation.

All our staff at each of our offices, over 1,900 users, now have access to NRW ICT assets, telephones and ICT network, a significant step in transitioning to become one organisation. Our new network also supports a cloud based Document Management System, allowing teams across Wales to share information more easily. We have also established a new ICT Service Desk to support the use of these assets and network.

In partnership with the Trade Unions, we implemented our Total Reward Package, a single package of terms and conditions for our staff. Since August 2014, all staff have been paid according to one pay scale and annual leave entitlement was standardised in November 2014.

We completed recruitment to senior management roles and implemented change programmes to new structures in each Directorate. This has been an unprecedented period of change for many of us across the business, but using our

change principles we have been able to complete open and transparent recruitment processes to fill the required roles.

In December 2014 we launched MyNRW, our internal finance and HR system. This brings together three sets of data including supplier and staff information to create a single NRW version. We now create orders, pay suppliers, collect our regulatory and commercial income and run payroll for our staff.

Many of our Governance and HR policies are now in place: Leave entitlement, Code of Conduct, Fraud Prevention and Detection, Grievance, Managing Misconduct, Wellbeing, Health and Safety, all of which are helping to establish the fair and open culture we want to create.

Our first Communications Strategy 2014-2017 is building awareness, understanding and trust in NRW, what we stand for and what we do. Our re-launched website www.naturalresources.wales and staff intranet enable us to share our single view and single voice with our customers, partners and staff more clearly.

Following our accommodation review, we disposed of nine properties and mothballed an additional five, reducing our operational sites to 65 and creating annual savings of £360,000 against our running costs.

We have worked to transfer the functions, assets and staff of the three Internal Drainage Boards (IDB) in Wales to Natural Resources Wales. This transfer brought in 19 staff, 28,500 hectares of internal drainage district and an annual income of £1.4 million on the 1 April 2015. The combination of our broad remit and countrywide coverage with local knowledge and the technical expertise of our new staff, will allow us to capitalise on sustainable management of these low lying wetland areas.

Our accommodation review helped to reduce our operational sites to 65, creating annual savings of

£360,000
against our running costs.

Developing our organisation



Our new network supports a cloud based Document Management System, allowing teams across Wales to share information more easily

1,900

users, now have access to NRW ICT assets, telephones and ICT network

As a young organisation we know it will take time to get everything in to place, but we have made a good start. During our first two years we have created a strong foundation by establishing our own capability as an organisation. We are now moving into the next phase of our development - unlocking our potential. Over the next two years, to the end of our current Corporate Plan 2014-17, we will transform the organisation to deliver Natural Resource Management and continue to deliver the benefits identified in our Business Case.

To help us do this we have developed our Roadmap, outlining the journey we are on and key milestones to show how we will get there. Our aim is to become a high performing organisation, demonstrating continuous improvement and high performance in all our activities through our skilled leaders, managers and staff.

We will continue embedding Natural Resource Management in our work and improve our customer focus, for example through our new advisory groups for each Internal Drainage District, comprising representatives

from landowners and local authorities.

Developing our people and teams is essential for us. Through our first People Survey, our staff have told us about how they feel about working for NRW, what's working well and what needs to improve. This is valuable information which we will now focus on to build on the good work and take action to make improvements in the areas that need to be addressed.

Management Commentary

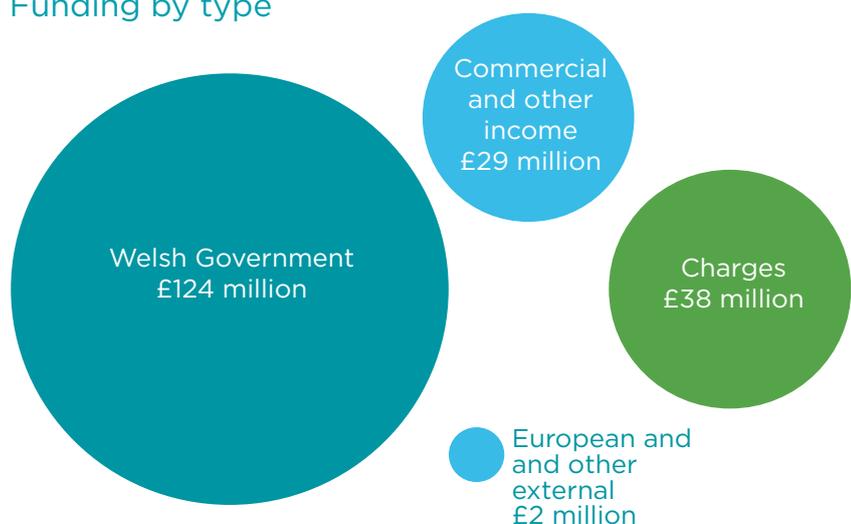
Managing our Money

2014/15 was a challenging year financially, and through taking tough decisions, additional funding from Welsh Government, delivering efficiencies, and additional timber income, we have been able to manage our budget in year. We also successfully migrated from our existing (three) financial systems to one.

Funding

Our total income for the year was £69 million. In addition, Welsh Government provided £124 million Grant in Aid towards a range of outcomes. £40 million was allocated to Flood Coastal Risk Management and £84 million to Non-Flood Coastal Risk Management. In the Accounts, Grant in Aid is treated as a contribution from a controlling authority and not a source of income. The chart below illustrates the distribution of our total funding:

Funding by type



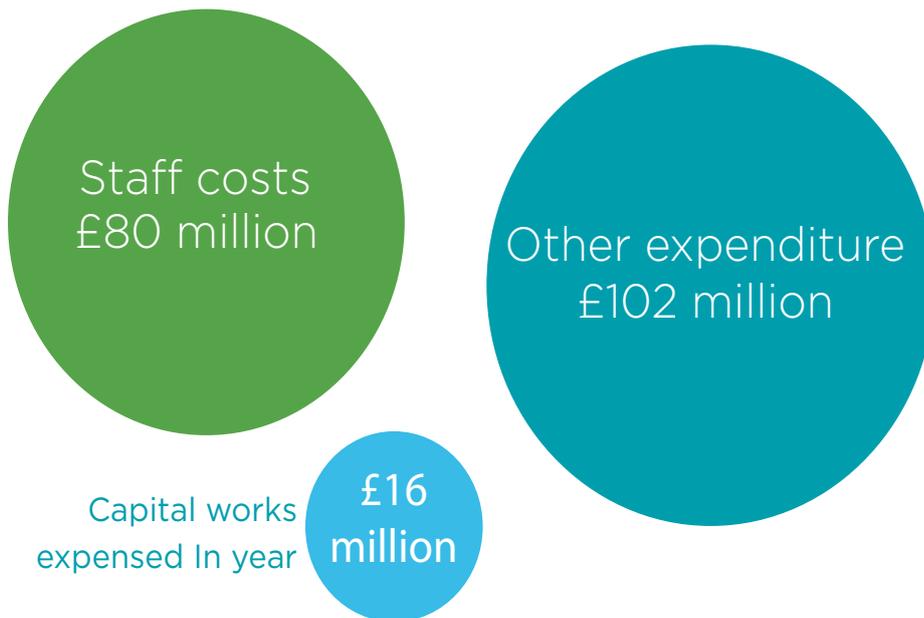
During the year we successfully migrated from our existing (three) financial systems to one.

We have a number of funding sources which we keep discrete when planning and spending our resources. The main funding source of Grant in Aid is split between Flood and Coastal Risk Management and Non Flood and Coastal Risk Management – for both revenue and capital. We also have a number of Charge Schemes (see Note 6 of the Financial Statements) which are based on the principle of ‘cost recovery’. In addition, we apply and receive additional funding from a number of sources (such as European funding) which are spent on specific projects.

How we spent our money

Our total comprehensive expenditure was £198 million. Detailed breakdowns by category of spend can be found in Notes 5 and 6 to the Accounts and is also illustrated below:

Expenditure by type



Note 2, 3, 4, and 5 of the Financial Statements details where the money was spent

Expenditure by Directorate



Centrally controlled - Income and expenditure controlled centrally and not allocated to directorates. It includes depreciation, book value of fellings and year end accruals for provisions.

Future Developments

Funding in 2015/16 is set to be equally challenging due to the continuing need to transform our own ICT infrastructure, exit the services provided by the Environment Agency and Forestry Commission Great Britain, and address the impact of a reduction in Grant in Aid and our regulatory charge scheme income.

We have also launched and begun our Roadmap for developing NRW for the next five years. That encompasses five transformation programmes. Two of those programmes, Improving Efficiency and Service Delivery and Developing Enterprise and Business, will underpin how we transform our organisation in an affordable way. We have also launched Success with Less, an initiative to make recurrent efficiency savings of £3 million.

Non-Current Assets

The value of our non-current assets was £778 million. The most significant component is the value of the forest estate and biological assets which accounts for £642 million of the value at 31 March 2015. We are required to undertake an independent quinquennial revaluation of freehold land and buildings and forest estate and that will next be undertaken in 2015/16. In the intervening years, our non-current assets (except vehicles) are revalued via the appropriate indices.

During 2014/15,

95% of our payments to suppliers met the Welsh Government criteria to pay 95% of suppliers within 30 days

Forest Estate Valuation

In 2014/15, Smiths Gore was instructed by NRW to revalue the forest estate and biological assets on the basis of indices and as a result the value increased from £595 million to £642 million. Smith's Gore has confirmed that they regard this as reasonable given the relatively young age profile of NRW's woodlands in comparison to other comparable woodlands bought and sold during last year in Wales.

Payment of Trade and other Payables

Welsh Government has a commitment to pay 95% of suppliers within 30 days and we aim to meet this target wherever possible. During 2014/15, 95% of our payments to suppliers met those criteria. This helps to ease businesses' cash flow in the current challenging economic climate.

Going Concern

The Statement of Financial Position at 31 March 2015 shows positive taxpayers equity of £679 million. The future

financing of our liabilities is to be met by Welsh Government Grant in Aid and the application of future income. We have already received approval for funding for 2015/16. Therefore, it is appropriate to adopt a going concern basis to prepare the Annual Accounts.

Estate Management

We manage Wales's public forest estate on behalf of the Welsh Ministers in accordance with our acquisitions and disposal policy and our Enterprise Strategy. We also have Forest Plans for all the forests, which sets how each forest will be managed to deliver strategy objectives over the next 25 years.

We are also currently working to develop Natural Resource Plans that will provide a series of local plans/strategies which will guide the management of the estate and assets across Wales.

The National Nature Reserves which are owned or leased by us, are managed in accordance with an approved management plan, which include conservation objectives from all recognised features of interest and identifies necessary projects and work programmes. The plans are reviewed periodically and the necessary implementation of the work identified in plans checked by our Conservation Management Team, through a rolling programme of reviews/environmental audits.

Pensions

The pensions liability are disclosed in the Annual Report and Accounts on the basis of IAS19. The liability has increased for the LGPS pension scheme in the year due to falling real bond yields, partially offset by strong asset returns.

This is different from the basis used for funding calculations. The last formal revaluation of the fund was undertaken at 31 March 2013 and showed an overall funding position of 90%.

Auditors

The accounts of Natural Resources Wales are audited by the Auditor General for Wales. The audit fee for 2014/15 was £159,000.

We have Forest Plans in place which set how each of our forests will be managed to deliver strategy objectives over the next 25 years.

Employees

In 2012 the Treasury announced a review of the tax arrangements of public sector appointees in order to determine the extent of arrangements which could allow public sector appointees to minimise their tax payments. The review concluded that:

- the most senior staff must be on the payroll, unless there were exceptional temporary circumstances which would require Accounting Officer sign-off and could not last longer than six months
- departments (and their arm's length bodies) must be able to seek formal assurance from contractors with off payroll arrangements lasting more than six months and costing over £220 per day that income tax and national insurance obligations are being met. If that assurance is not provided, contracts should be terminated
- departments (and their arm's length bodies) are required to report to Parliament as part of their Annual Report and Accounts on the outcome of applying the above principles.

The following tables show our position in relation to these conclusions.

For all off-payroll engagements as of 31 March 2015, for more than £220 per day and that last for longer than six months	Number of contractors
The total number of existing engagements as of 31 March 2015 of which:	34
The number that have existed for less than one year at time of reporting	18
The number that have existed for between one and two years at time of reporting	15
The number that have existed for between two and three years at time of reporting	1
The number that have existed for between three and four years at time of reporting	n/a
The number that have existed for four or more years at time of reporting	n/a

For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2014 and 31 March 2015, for more than £220 per day and that last for longer than six months	Number of contractors
The number of new engagements, or those that reached six months in duration, during the time period.	42
The number of these engagements which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations.	42
The number for whom assurance has been requested of which	42
The number for whom assurance has been requested and received.	40
The number for whom assurance has been requested but not received	2
The number that have been terminated as a result of assurance not being received	n/a

Managing our People

At 31 March 2015 we had 1925 full time equivalent employees. Below is a breakdown of our workforce by gender at this point.

	Male	Female	Total
Executive Team	8 (73%)	3 (27%)	11
Leadership Team	21 (75%)	7 (25%)	28
All Employees	1,116 (58%)	809 (42%)	1,925

We have measures in place to support our employees who identify as having a disability. Our Vacancy Filling Policy references our guaranteed interview position for applicants who meet the minimum role requirements, which also applies internally for staff seeking promotion.

Reasonable adjustments are made, where possible, following discussions between staff and line managers for staff in post or returning to work following injury or development of an illness that may have an impact on their ability to do their work.

Our Assisted User Group supports specific requirements of staff such as IT and telephony to ensure that our IT systems and packages created for NRW are accessible to all. This initiative has been well received – as often in the past the needs of this particular group would not have been considered until after any new systems were introduced.

Wellbeing, Health and Safety (WHS) Strategy

We improve the wellbeing, health and safety of our staff and customers across Wales through the work that we do and the way that we do it. We encourage everyone to take personal responsibility for wellbeing, health and safety at work, and line managers provide support to achieve this.

Our first WHS Strategy was approved by the NRW Board in March 2015 and provides the framework through which the whole organisation will work to improve our approach to wellbeing, health and safety. The Strategy builds on the findings of our first Wellbeing, Health and Safety survey (Health & Safety Laboratory Safety Climate Tool) in December 2014. This measured the attitudes and perceptions of our staff to WHS. Our current performance is average, when compared to external benchmarks, for behaviours, trust, usability of procedures and peer group attitude. It is slightly below average in relation to organisational commitment, engagement, resources and accident and near miss reporting.

Our Strategy will be implemented through a three year improvement plan, and is supported by a revised Policy and a Governance Framework. This overall package will enable our ambition to achieve survey scores comparable with a high performing organisation.

Improvements have been made to our WHS information systems. Staff are now using AssessNET to report accidents and near misses. This positive step removes dependency on legacy systems and gathers valuable information and learning to improve our health and safety performance. Lone and remote workers have now all transferred to StaffCall, ensuring their movements are recorded and they can be located in the event of an accident or emergency.

In the past year we delivered a number of policies in relation to wellbeing and occupational health, and issued interim NRW arrangements for occupational health and employee assistance provision.

Staff engagement through the National Wellbeing, Health and Safety committee and regional forums is becoming more effective as we share good practice and learning points across

We encourage everyone to take personal responsibility for wellbeing, health and safety at work, and line managers provide support to achieve this.

NRW via new communication tools including Intranet, Yammer, health and safety alerts (HASA), notice boards and cascades.

Our sickness absence rates as at 31 March 2015 showed an average of 6.32 days lost per employee and equates to 2.9%. This was against a target of an average of up to 7 days lost, which equates to 3.1% of available working days.

Voluntary Exit Scheme (VES)

Our VES policy has been in place since July 2013 and specifically deals with organisational wide restructuring and change programmes when there has been a requirement to make efficiency savings through staff reductions.

This year we ran our second scheme following a successful application made through Welsh Government's 'Invest to Save' Fund. The scheme design was in accordance with the Civil Service Compensation Scheme and the Principal Civil Service Pension Scheme. We offered analogous terms to staff who were in the Local Government Pension Scheme (LGPS) or remained eligible to join the LGPS.

The recent scheme approved the exit of 58 members of staff at a cost of £2.9 million with an average payback period of 14 months. As part of its design, the scheme considered all applications against organisational priorities and business objectives, and change programme objectives.

We are not planning for any further organisational wide open exit schemes. However, we are currently considering the development of a policy and process to allow for individual elective voluntary exits that are supported by an approved business case.

Learning and development

We are committed to the continual learning and development of our staff and see investment in learning as a key strategy for the success of the organisation.

Our staff include manual workers, professionals and leading experts in their environmental fields. Therefore, as an organisation, we have a wide range of skills and capabilities. Whilst we support staff in obtaining qualifications and increase the number who are members of professional associations, we also work with our internal experts to develop courses based on the emerging needs of our workforce. It is essential to ensure course content moves away from legacy and becomes more aligned to our future requirements.

Following the success of our nine ICT apprentices completing their training this year, we are working with business and educational partners to expand our apprenticeship offering to include more land based areas, with a focus on Natural Resource Management.

Equality and diversity (E&D)

In recognition of how important equality and diversity is to our people, our visitors and customers, we have moved the E&D agenda forwards with pace. We have made a number of key achievements during the past 12 months.

- We have successfully appointed an Equalities Senior Advisor to help embed E&D in all that we do.
- We also have a new E&D Forum which is made up of representatives from our Board, Executive Team, each of our eight Directorates, our Staff Networks and our Trade Unions. The E&D Forum meets every three months and is chaired by our Executive Director of Organisational Development and People Management.
- Our Strategic Equality Plan (SEP) was approved by the NRW Board in March 2015 and published in April 2015. It outlines to staff and the public how we intend to deliver our commitment to being an organisation that embraces equality and human rights. To get us to this point, we held six engagement sessions both internally and externally in north, mid and south Wales and these helped shape our key objectives. Following on from the sessions the draft objectives were published for public consultation between October 2014 and January 2015.
- To deliver our SEP, we have developed an Equalities Action Plan. This plan is a living document which focuses on the areas we feel we need to develop as an organisation through our values and behaviours. The plan is regularly reviewed by our E&D Forum. The Strategic Equality Plan 2015 to 2019, Equality Action Plan and our Equality Annual Report for 2014 to 2015 are all available on our website.
- We have developed our Equality Impact Assessment process within NRW which is helping us to assess both positive and negative potential impacts from new or revised plans, projects and policies.
- As a Stonewall Cymru Diversity Champion, we have been benchmarked for a second year and seen our placing as an employer of choice rise from 296th in 2014 to 238th in 2015, a rise of 58 places. We are committed to seeing this rise continue.

As a Stonewall Cymru Diversity Champion, we have seen our placing as an employer of choice rise from 296th in 2014 to 238th in 2015, a rise of **58** places.

- Other successful staff networks have formed in the past year, the Assisted User Group (IT and Telephony) and our first faith network, the Christian Fellowship. More networks are planned for the coming year.

Welsh language

We want to use the Welsh language and become a naturally bilingual organisation where customers and staff can do business in the language of their choice. Our Welsh language training programme, launched in June 2014, gives all our staff the opportunity to learn Welsh for work purposes. The success of this programme has seen:

- over 250 of our staff with no Welsh language skills attend the one day “Cyfarch”(annunciation) course enabling them to be able to pronounce place names, personal names and basic greetings in Welsh, which is the basic Welsh language standard expected of all our staff within the organisation
- 139 of our staff started attending “Mynediad 1” (Beginners 1) classes in September 2014 at various offices across Wales
- 116 members of staff are attending Welsh classes at different levels at Welsh Language Training Centres across Wales.

We launched a mentoring scheme giving our learners further support and the opportunity to practise what they have learnt in the class informally with a fluent Welsh speaker. We continued implementation of the Welsh Language Scheme in each Directorate with our Grŵp Pencampwyr members acting as co-ordinators in each area of the business.

As an organisation we have been involved in the Welsh Language Commissioner’s Standards Investigation, providing evidence to demonstrate how we could comply with the Standards specified in the investigation.

As part of our commitment to become a naturally bilingual organisation

139 of our staff attended Beginners Welsh classes in September 2014

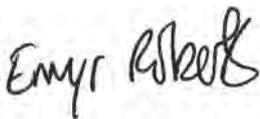
Corporate Environmental Reporting

Over the coming years, we want to set the example in Wales in areas including our management and use of carbon, waste, water and land (as outlined in our Corporate and Business plans). Corporate reporting, on our organisation's own environmental impact, is included in Annex 2.

Highlights this year include that we have:

- retained ISO14001 and UK Woodland Assurance Standard (UKWAS) certification following independent external audits and verification – Demonstrating our own commitment to achieving the highest possible environmental standards as an organisation
- reduced our carbon footprint in relation to buildings energy use and travel by 5.6% (exceeding our 5% target), and our overall carbon footprint by 1.9%.

During the coming years, we will continue to improve our corporate environmental reporting in working towards Integrated Reporting.



Dr Emyr Roberts
Chief Executive and Accounting Officer

Date: 17 July 2015

Remuneration Report

Remuneration Policy

The Board has established a Remuneration Committee to consider matters relating to the pay and conditions of employment of the most senior staff and overall pay strategy for all staff employed by Natural Resources Wales (NRW). The Remuneration Committee comprised of four non-executive Board Members (five until the departure of a board member mid-year). The Chairman is an ex officio member of the Committee.

The Chair and Board Members' remuneration is set by Welsh Ministers. The remuneration of senior employees (Executive Team members) is based on NRW terms and conditions. The remuneration policy for the most senior staff is not subject to collective bargaining and the remuneration package is set by reference to a set of benchmark roles in the Welsh public service and in comparable organisations in the UK. Progression to the benchmark (rate for the job) is subject to satisfactory performance. Only on the basis of exceptional performance are the top two pay points used.

There is a social partnership agreement in place and the setting of terms and conditions for all other staff is through collective agreement with the social partners. The Welsh Government approves any changes to pay, terms and conditions and gives a pay remit to NRW within which it must deliver. A pay deal covering the period 1 April 2013 to 30 June 2015 was successfully negotiated in November 2013.

In 2014/15 NRW implemented a total reward package that meets the business requirements and establishes NRW as the employer of choice.

Service Contracts

All appointments to the Board are made on behalf of the Minister for Natural Resources. Appointments are normally made for either two or three years.

The Chief Executive and Executive Team members are expected to be employed under permanent contracts. Appointments are made in accordance with our recruitment policy, which requires appointment to be made on merit and on the basis of fair and open competition.

Unless otherwise stated below, the Executive Team members covered by this report hold appointments which are open-ended. These officers are required to give three months' notice. Board members are required to provide three months' notice of their intention to leave.

Salary and Pension Entitlements

The following sections provide details of the remuneration of members of the Board and the remuneration and pension interests of members of the Executive Team. Board Members are not entitled to join the Principal Civil Service Pension Scheme or receive other benefits. Early termination, other than for misconduct, would result in the Executive Team members receiving compensation in line with the Civil Service Compensation Scheme. Board members are not entitled to compensation.

Board Members' Remuneration (audited)

Board Member	Employment contract	Salary 2014/15 (£5000 range)	Salary 2013/14 (£5000 range)
Dr Michael Brooker	01-11-12 to 31-10-14	10-15	20-25
Rev Hywel Davies	01-11-12 to 31-10-15	20-25	20-25
Dr Madeleine Havard	01-11-12 to 31-10-15	20-25	20-25
Dr Ruth Hall ⁴	01-11-12 to 31-10-15	20-25	20-25
Mr Harry Legge-Bourke ⁴	01-11-12 to 31-10-15	20-25	20-25
Mr Andy Middleton ^{4,5}	01-11-12 to 31-10-15	20-25	20-25
Prof Peter Matthews	01-08-12 to 31-08-15	50-55	50-55
Mr Nigel Reader ²	01-11-12 to 31-10-15	25-30	25-30
Mr Morgan Parry ¹	01-11-12 to 31-10-14	0	15-20
Prof Lynda Warren ⁴	01-11-12 to 31-10-15	20-25	20-25
Sir Paul Williams ³	01-11-12 to 31-10-15	25-30	25-30

¹ Sadly Morgan Parry died on 4th January 2014.

² Nigel Reader is Chair of the Audit and Risk Assurance Committee.

³ Sir Paul Williams is Chair of the Remuneration Committee and the Transition Advisory Group.

⁴ These members have been reappointed for another year from November 2014 until 31 October 2015.

⁵ Andy Middleton is Chair of the Protected Sites Committee.

Executive Team's Remuneration (audited)

Single total figure of remuneration										
Executive Team Member	Salary		Performance Related Payments ⁴		Benefits in kind ⁵		Pension benefits ⁶		Total	
	(£5000 range)		(£5000 range)		(nearest £100)		(nearest £1000)		(£5000 range)	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
Dr Emyr Roberts (Chief Executive)	145-150	140-145	0	0	0	0	61,000	41,000	205-210	185-190
Martin Britton ¹	125-130	105-110		0	0	0	0	0	125-130	105-110
Martin Britton ²	15-20	0	0	0	0	0	6,000	0	20-25	0
Ceri Davies	95-100	90-95	0	5-10	2000	1,700	24,000	67,000	120-125	170-175
Elizabeth Davis ³	35-40	105-110	0	0	0	0	59,000	80,000	90-95	185-190
Ashleigh Dunn ⁷	30-35	0	0	0	0	0	12,000	0	45-50	0
Graham Hillier	90-95	90-95	0	5-10	3600	3,300	21,000	43,000	115-120	145-150
Kevin Ingram	90-95	85-90	0	0	2600	2,400	53,000	54,000	145-150	145-150
Tim Jones	85-90	85-90	0	0	2400	2,300	30,000	194,000	120-125	280-285
Trefor Owen	90-95	90-95	0	0	0	0	17,000	139,000	105-110	230-235
Niall Reynolds	75-80	75-80	0	5-10	0	0	19,000	9,000	90-95	95-100
Catherine Smith ⁸	70-75	0	0	0	0	-	23,000	0	90-95	0
Clive Thomas	70-75	70-75	0	0	2300 ⁹	3,600	22,000	72,000	95-100	145-150

¹ Martin Britton fulfilled the role of Chief Information Officer on the Executive Team under contract with his employment agency until January 2015. This action has been approved and supported by the Remuneration Committee, based on the exceptional circumstances involved with ICT transition and development for Natural Resources Wales. For 2014/15 the figure reported as his salary above represents the agency costs incurred by NRW (excluding expenses) from 1st April 2014 until January 2015. During 2013/14 part of the agency costs were funded by Welsh Government.

² Following a review by the Chief Executive and confirmation by the Remuneration Committee it was decided to appoint a permanent Chief Information Officer by open competition. The successful candidate was Martin Britton and he is now a full employee of NRW and the relevant salary costs for 1st February 2015 to March 2015 are also reported above. The full year equivalent salary is £90-95,000.

³ Elizabeth Davis was working as part of the Welsh Government's Living Wales Programme and on formal secondment from WG from 1 April 2013 until 31 July 2014. The full year equivalent salary is £105-110,000.

⁴ Three former Environment Agency staff were awarded contractual performance related payments during the year in respect of their performance relating to 2012/13.

⁵ Relates to the provision of an allocated car.

⁶ The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (contributions made by the individual). The real increases exclude increases due to inflation or any increases or decreases due to a transfer of pension rights.

⁷ Ashleigh Dunn was appointed as Director of Organisational Development and People Management on 17th November 2014. The figures quoted are for the period 17/11/14 to 31/3/15. The full year equivalent salary is £90-95,000.

⁸ Catherine Smith was appointed as Director of External Relations and Communications on the 22nd April 2014. The figures quoted are for the period 22/4/14 to 31/3/15. The full year equivalent salary is £75-80,000.

⁹ Until 5th November 2014

Salary

Salary covers both pensionable and non-pensionable amounts and includes gross salary, overtime and any allowances or payments that are subject to UK taxation. It does not include amounts which are a reimbursement of expenses directly incurred in the performance of an individual's duties.

Performance Related Pay

There is no performance related pay scheme in place for the Executive Team.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the HM Revenue and Customs as a taxable emolument. The ones shown above relate to the provision of lease cars.

None of the Board Members or senior staff received any remuneration other than shown above.

Pay Multiples

Natural Resources Wales and similar bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce. Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The banded remuneration of the highest paid Director in the financial year 2014/15 was £145,000-£150,000 (2013/14 £140,000-£145,000). This was 5.0 times (2013/14 5.3 times) the median remuneration of the workforce which was £29,535 (2013/14 £27,370). The change in median pay is due to pay award, changes to workforce profile as a result of the voluntary exit scheme and implementation of the total reward package.

Pension Benefits

Executive Team member	Accrued Pension at pension age as at 31/3/15	Accrued Lump Sum at pension age as at 31/3/15	Real Increase in pension at pension age	Real Increase in Accrued Lump Sum at pension age	CETV at 31/03/15	CETV at 31/03/14	Real Increase in CETV
	£000	£000	£000	£000	£000	£000	£000
Dr Emyr Roberts (Chief Executive)	60-65	180-185	2.5-5	7.5-10	1248	1137	53
Martin Britton ¹	0-5	0	0-2.5	0	3	0	1
Ceri Davies	30-35	60-65	0-2.5	(0-2.5)	533	497	7
Elizabeth Davis ²	40-45	120-125	2.5-5	10-12.5	882	805	71
Ashleigh Dunn ³	0-5	0	0-2.5	0	10	0	7
Graham Hillier	50-55	15-20	0-2.5	(0-2.5)	714	667	9
Kevin Ingram	25-30	35-40	2.5-5	0-2.5	303	259	24
Tim Jones	30-35	100-105	0-2.5	5-7.5	611	557	22
Trefor Owen	40-45	0	0-2.5	0	633	590	10
Niall Reynolds	30-35	65-70	0-2.5	(0-2.5)	546	512	6
Catherine Smith ⁴	0-5	0	0-2.5	0	13	0	7
Clive Thomas	15-20	55-60	0-2.5	2.5-5	327	296	14

1 from 1/2/15
 2 to 31/7/14
 3 from 17/11/14
 4 from 22/4/14

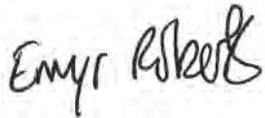
Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.



Dr Emyr Roberts
Chief Executive and Accounting Officer Date:

17 July 2015

Statement of Accounting Officer's Responsibilities

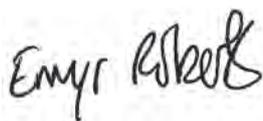
Paragraph 23 (1) of the Schedule to the Natural Resources Body for Wales (Establishment) Order 2012 required Natural Resources Wales to produce for each financial year a Statement of Accounts in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Natural Resources Wales and of the income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular to:

- observe the Accounts Direction issued by HM Treasury 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 applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The Additional Accounting Officer for Welsh Government has designated the Chief Executive of Natural Resources Wales as the Accounting Officer. The Chief Executive's responsibilities as Accounting Officer are the propriety and regularity of the public finances for which he is answerable; for the keeping of proper accounts; for prudent and economical administration; for the avoidance of waste and extravagance; and the efficient and effective use of all the resources as set out in the Memorandum for the Accounting Officer for Natural Resources Wales.



Dr Emyr Roberts
Chief Executive and Accounting Officer

Date: 17 July 2015

Governance Statement

As the designated Accounting Officer for Natural Resources Wales (NRW), I am responsible for maintaining a sound system of internal control that supports the achievement of our aims and objectives. My role is also to safeguard public funds and organisational assets by putting in place proper arrangements for the governance of our affairs and effective exercise of our functions. As a result I am personally responsible for this governance statement. The full scope of my responsibility is described in the Memorandum for Accounting Officer of Natural Resources Wales issued by Welsh Government.

In this, my second Governance Statement, I have outlined the following in order to demonstrate how I have fulfilled this role.

- Our Governance Framework
- Role and responsibilities of our Board and sub committees
- Role and responsibilities of our Executive Team
- Mechanisms to review internal control
- Our risk management framework and its development

The governance framework comprises the systems, processes, culture and values by which the organisation is directed and controlled in delivering its activities. Our model is set out in the Governance Framework document, drawn up by Welsh Government with our consultation, and outlines the scope of how we operate and details the terms and conditions under which the Welsh Ministers provide grant-in-aid.

The Governance Framework has been in place since 1 April 2013, and delivered by the Board and Executive developing and implementing organisational policies in accordance with legislative and professional advice and guidance. In partnership with the Welsh Government we undertook a formal review of the Framework in the summer of 2014. We agreed that the Framework is working well and only minor changes were made to the document.

These policies form our system of internal control, designed to manage risk to a reasonable level rather than completely eliminate all risk of failure to achieve the aims and objectives. Internal control can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to: identify and prioritise the risks to the achievement of our aims and objectives; evaluate the likelihood of those risks being realised and the impact should they be realised; and manage them efficiently, effectively and economically.

The governance framework described above has been in place for the year ended 31 March 2015 and up to the date of approval of the annual report and accounts, and accords with guidance.

This reporting year has been another challenging year with a significant change programme. The main focus for me and my Executive Team has been to create the foundations for our organisation and we have deliberately aimed to push the pace to get through the change as quickly as possible.

Our Board members are appointed by Welsh Ministers in accordance with the Code of Practice for Ministerial Appointments in Public Bodies. We currently have ten members, led by Chairman Professor Peter Matthews, who is accountable to the Minister of Natural Resources. As the Chief Executive and Accounting Officer, I am an Executive member of the Board. The remainder of the Board is made up of eight non-executive members. Our role and responsibility is to:

- provide strategic direction and leadership, driving performance and hold us to account against our strategic and corporate plans
- ensure propriety, regularity, economy, efficiency and effectiveness in the operation of the body and adherence to the seven Principles of Public Life (the Nolan principles)
- ensure that we fulfil our statutory and regulatory duties, in the light of such guidance and direction Ministers may give it
- be a champion for the organisation and its aims and objectives. Be a role model for both staff and stakeholders
- work co-operatively to build relationships with all stakeholders including Welsh Government, businesses, communities and staff and their representatives
- demonstrate high standards of corporate governance at all times, including by using the Audit and Risk Assurance Committee to help address key financial and other risks.

We operate to the principles set out in the Code of Good Practice for Corporate Governance issued by HM Treasury. This year our focus has been on developing our approach to performance management, establishing priorities for our Business Plan 2015/16 and agreeing to a number of Enabling Plans to support the delivery of our Corporate Plan. We have also made evidence-based decisions regarding NRW hatcheries and the stocking of Welsh rivers with

salmon, as well as policy in respect of hydropower permitting specifically designed for Wales. We have also supported the Welsh Government's legislative programme through dedicated sessions on the Well-being of Future Generation, Environment and Planning Bills.

We have held seven meetings open to the public during the year across Wales. Standing items on our agenda include: strategic and operational updates from the Chair, Chief Executive, Committees, Board Groups, Finance and performance delivery against the Business Plan. We are committed to ensuring our governance is transparent, open and accessible to all. To support this commitment we publish a wide range of information regarding our work on our website, including papers to be considered by the Board in advance of those meetings held in public. All future meeting dates and previous agendas, papers and minutes are available on our website www.naturalresources.wales

	No. of possible meetings	No. of meetings attended
Professor Peter Matthews (Chair)	7	7
Dr Mike Brooker*	7	3
Rev Hywel Davies	7	4
Dr Ruth Hall	7	7
Dr Madeleine Havard	7	7
Harry Legge-Bourke	7	7
Andy Middleton	7	7
Nigel Reader	7	7
Dr Emyr Roberts	7	5
Professor Lynda Warren	7	6
Sir Paul Williams	7	7

* Dr Mike Brooker stood down as a Board Member in October 2014.

The Board has established three sub committees, each chaired by a Board Member and includes at least two other Board Members. The full Board have reviewed and agreed the terms of responsibility for each of the following:

- Audit and Risk Assurance Committee
- Remuneration Committee
- Protected Areas Committee

Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee's (ARAC) principal role is to advise the Board and support the Accounting Officer in monitoring, scrutinising and challenging the arrangements in place for audit, governance, internal controls and risk management. Members of our Executive Team attend, and as Accounting Officer I also attend every meeting.

This year ARAC addressed a range of issues including:

- Annual Report and Accounts 2014/15
- External and internal audit plans and reports
- Other assurance reviews and reports
- Risk management policy and the Operational Risk Register
- Fraud Prevention and Detection

Board Member - Audit and Risk Assurance Committee Attendance

	No. of possible meetings	No. of meetings attended
Nigel Reader (Chair)	6	6
Dr Ruth Hall	6	6
Dr Madeleine Havard*	1	1
Andy Middleton	6	6

*Joined March 2015

Remuneration Committee

The Remuneration Committee (REMCOM) considers matters relating to the pay and conditions of employment of our most senior staff and the overall pay strategy for all staff employed by Natural Resources Wales. The Committee also operates as the Transition Advisory Group to monitor and review all transition issues, including the delivery of the benefits identified in the business case.

The committee addressed a range of issues during the year including:

- The Total Reward Package for staff
- The Voluntary Early Severance Scheme
- Changes to Pension Schemes
- Director appointments and pay

Board Member - Remuneration Committee Attendance

	No. of possible meetings	No. of meetings attended
Sir Paul Williams (Chair)	6	6
Dr Mike Brooker*	4	4
Rev Hywel Davies	6	6
Dr Ruth Hall	6	6
Nigel Reader	6	6

*Stood down in October 2014

Protected Areas Committee

The Board has delegated its statutory responsibilities in relation to objections to the notification and de-notification of Sites of Special Scientific Interest to the Protected Areas Committee (PAC). PAC members also support the Executive and full Board by providing advice on wider protected area issues and strategic casework.

During the year the committee confirmed the designation of two new Sites of Special Scientific Interest (SSSI).

Board Member – Protected Areas Committee Statutory Role meeting attendance

	No. of possible meetings	No. of meetings attended
Andy Middleton (Chair)	2	2
Dr Ruth Hall*	2	2
Dr Madeleine Havard	2	2
Harry Legge-Bourke	2	2
Prof Lynda Warren	2	2

*Dr Ruth Hall became an interim member following the departure of Dr Mike Brooker in October 2014. Dr Ruth Hall has since been replaced by Sir Paul Williams.

Flood Risk Management Wales

Our Board provides input to the Flood Risk Management Wales. This meeting, although not a standing committee of the main Board, fulfils a number of statutory flood risk management functions of Natural Resources Wales in accordance with Section 106 of the Water Resources Act 1991. The Chair is independently appointed by Welsh Ministers and this post was held by Mr Deep Sagar during 2014/15. The Committee members are Local Authority representatives and independent members and appointed either by Welsh Ministers or by Natural Resources Wales. Board Member Dr Madeleine Havard attends the committee as an observer and reports back to the full Board meetings.

Board Groups

Outside of our formal meetings, Board Members play an active role in supporting the Executive in strategy development. The standing Board Groups are:

- Environment
- Communities
- Economy
- NRW Enterprise
- Knowledge

These groups provide an opportunity for Board Members to contribute to the development of work at an early stage and allow the Executive to keep Board Members informed of developments in specific areas of the business. Board members have also supported on 'task and finish' groups to provide advice on specific tasks e.g. annual Business Planning and Performance Framework.

Board Performance

Following completion of a Board effectiveness survey in March 2014, the Board met in September to review the combined results of the performance self-assessment questionnaire and to agree the priority areas for development. These included risk management, Board room performance and strategic relationship management.

At the end of this year, the Board repeated this annual assessment, again following a questionnaire broadly based on the National Audit Office Unlocking your Board's full potential - Board Evaluation Questionnaire and produced with guidance from HM Treasury's Corporate Governance in Central Government Departments: Code of Good Practice. The Board will meet later in 2015/16 to further review progress against the priorities agreed in September 2014.

As part of the survey, the Board responded positively to several questions concerning the quality of the information they receive, for example highlighting thorough analysis of performance, insightful risk management and internal control systems and reliable financial projections. In addition Board members, through the Board Groups, have an opportunity to input to the development of final proposals for decision and thereby influence positively the quality of the information available to inform the work of the Board as a whole. Time is also allocated in the Board Development meetings to discussing issues at a development stage, so ensuring that scrutiny is exercised in shaping options, as well as considering final proposals for

decision.

As well as this self-assessment, the Chairman has also conducted year-end performance appraisals for each Board Member, which will be used to inform future individual developments plans and objective setting for 2015/16.

The Audit and Risk Assurance Committee (ARAC) also conducted an annual review of its effectiveness via the completion of a questionnaire based on a checklist produced by the National Audit Office, the criteria for which are largely derived from HM Treasury's Audit Committee Handbook. The summarised results formed the basis for a facilitated workshop by Wales Audit Office in February 2014. Overall, the ARAC was considered to be effective, with the majority of key arrangements and processes in place. However, it was recognised and agreed that further minor improvements to arrangement would raise overall effectiveness and these are in hand to be implemented.

Our Executive

Day to day management of our organisation is delivered through our Executive Team. As Chief Executive, I chair the meetings with six Executive Directors, three Directors and our Chief Information Officer in attendance. We formally meet on a three weekly cycle. Our Business meetings deal with current and emerging issues, Strategy and Policy meetings develop strategy for the organisation and recommend new policy positions to the Board and our Change Programme meetings discuss and receive updates on emerging issues and progress with the Change Programme.

Each Directorate has a Directorate Delivery Plan, which is linked to corporate targets and outcomes within the annual Business Plan. These are reviewed on monthly basis with their Leadership Team members and feed into the Corporate Performance Dashboard, which is reported to the Board and Welsh Government three times a year.

Risk Management

The Board has approved our Risk Management policy and is responsible for overseeing the implementation of the policy and process. Based on HM Treasury guidance for managing risks, the key objective is to ensure that we have a consistent approach to identifying, measuring, controlling, monitoring and reporting risks.

This year the Board has set out its risk appetite for our

different activities, all with an aim to meet our strategic objectives. We face a broad range of risks across our responsibilities therefore it is not appropriate to make a single overarching statement of our attitude to risk. Instead, a range of risk appetite statements arising from different areas of our work have been agreed.

Our risks are identified, evaluated and managed at a number of different levels. Our Board is responsible for managing corporate risks in line with achieving strategic objectives. The Board retains ownership of the key corporate risks, but uses ARAC to exercise scrutiny over our risk management processes, as well as to drill-down into specific risks and issues. Executive Team members manage Directorate Risk Registers in line with achieving their targets and outcomes in their Directorate Delivery Plan. These are reviewed regularly and I discuss them during my performance reviews. Risk Registers are also in place for major projects and programmes and are reviewed at project and programme meetings.

Key risks that were identified and managed during the year included:

- achievement of the Business Case benefit realisation for the creation of NRW
- transitional risk with regards to the Change Programme given the scope and scale of the work required
- responding to the spread of the *Phytophthora ramorum* tree disease
- ensuring the successful transfer of the function of the Internal Drainage Board and the management of stakeholder engagement and expectation.

Information Assurance

We are committed to ensuring data and information is well governed and managed and have continued to work to achieve the right balance between transparency and openness and necessary information security. We have appointed a Chief Information Officer who sits on the Executive team and along with our Director of Governance who acts as the Senior Information Risk Owner (SIRO) we have concentrated our efforts during the year on overseeing the development of relevant Information Governance Policy and Procedures.

The following have been put in place during 2014/15.

- Handling Information Security Incidents
- Handling Personal data
- Privacy Impact Assessments
- Identification and agreement to a network of Information Asset Owners (IAOs) at Leadership team level
- Training by the National Archives of an initial cohort of IAOs
- Progress to finalise the Information Asset Register for Natural Resources Wales and supporting procedures for management of the assets. Due for completion in early 2015/16
- Work to integrate Information Security Classifications into the design of the Document Management System file plan, including appropriate restricted access for personal information
- A report from the Senior Information Risk Owner to the Audit and Risk Assurance Committee

No data loss incidents have been reported this year.

Effectiveness of Internal Control

As Accounting Officer I have responsibility for reviewing the effectiveness of internal control. This is mainly informed by the Executive Directors, Directors and Leadership Team, who are responsible for development and maintenance of the internal control framework. Members of Executive Team have each completed an Internal Control Checklist, supported by the signing of a Certificate of Assurance. It required them to make an evidence based assessment of the adequacy of the control framework in place, highlighting areas that require strengthening and where we may need to ensure improvement action plans are instigated.

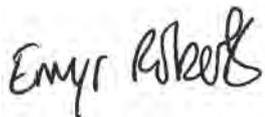
Results this year identified movement to the single Document Management System as a concern to address. Implementing the information management policies has been slower than anticipated as staff have developed confidence in using the system. There is also further work to do to clean up transfer of legacy documents and ensure system access is fit for purpose. The system allows access to be limited to specific users as required, however work is needed to ensure as staff change roles access rights are reviewed. My review is supported by the work of Internal Audit and comments made by Wales Audit Office in their Management Letter.

The opinion of the Head of Audit and Risk Assurance, as set out in his annual assurance report is:

“In my opinion, Natural Resources Wales can have Moderate assurance in the overall adequacy and effectiveness of its internal control environment, including its arrangements for governance and risk management.

“During the year a number of audits identified weaknesses in control at a level such that only limited assurance could be given. In these cases management have given assurance that the recommendations made will be implemented to address the weaknesses identified.

“A Moderate level of assurance is the second level of assurance out of four possible ratings, and is defined as ‘some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control’.”



Dr Emyr Roberts
Chief Executive and Accounting Officer

Date: 17 July 2015

Financial Statements and Notes to the Accounts for 2014/2015

Statement of Comprehensive Net Expenditure

For the period ended 31 March 2015

	Note	to 31/3/2015 £'000	to 31/3/2014 £'000
Expenditure			
Staff costs	3.1	80,155	80,250
Capital works expensed in year	4	15,518	18,994
Other expenditure	5	102,427	99,705
		<u>198,100</u>	<u>198,949</u>
Income			
Income from activities	6	(66,917)	(58,938)
EU income	6	(2,080)	(6,200)
EU income on behalf of third parties	6	0	(3,426)
Other income	6	(43)	(138)
		<u>(69,040)</u>	<u>(68,702)</u>
Net expenditure		<u>129,060</u>	<u>130,247</u>
Financing on pension scheme assets and liabilities	21.3	2,116	1,932
Net operating cost		<u>131,176</u>	<u>132,179</u>
Other comprehensive expenditure			
Net gain from transfer of functions		0	(570,040)
Actuarial loss on pension scheme	21.3	24,778	3,898
Revaluation			
Net (gain) / loss on revaluation	7.1 & 8	(295)	344
Net gain on revaluation of biological assets	7.3	(19,701)	(22,308)
Total comprehensive net expenditure for the period		<u>135,958</u>	<u>(455,927)</u>

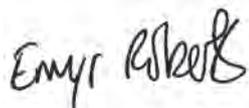
The notes on pages 52 to 94 form part of these accounts.

Statement of Financial Position

As at 31 March 2015

	Note	31 March 2015 £'000	31 March 2014 £'000
Non-current assets			
Property plant and equipment	7.1	644,900	610,539
Heritage assets	7.2	6,432	6,432
Biological assets	7.3	117,881	100,051
Intangible assets	8	8,397	6,727
Financial assets	9.1	220	260
Trade and other receivables	12	131	135
Total non-current assets		<u>777,961</u>	<u>724,144</u>
Current Assets			
Assets held for sale	10	979	204
Inventories	11	835	411
Trade and other receivables	12	17,329	19,190
Cash and cash equivalents	13	26,798	15,111
Total current assets		<u>45,941</u>	<u>34,916</u>
Total assets		<u>823,902</u>	<u>759,060</u>
Current liabilities			
Trade and other payables	14	(23,047)	(14,854)
Provisions	15	(2,694)	(1,683)
Total current liabilities		<u>(25,741)</u>	<u>(16,537)</u>
Assets less current liabilities		<u>798,161</u>	<u>742,523</u>
Non-current liabilities			
Trade and other payables	14	(2,864)	(2,858)
Provisions	15	(261)	(411)
Pension liabilities	21	(76,104)	(49,200)
Financial Liabilities	9.2	(39,973)	(39,942)
Total non-current liabilities		<u>(119,202)</u>	<u>(92,411)</u>
Assets less liabilities		<u>678,959</u>	<u>650,112</u>
Taxpayers' equity			
Reserves			
Revaluation reserve	SoCTE	543,603	511,056
Pensions reserve	SoCTE	(76,104)	(49,200)
General fund	SoCTE	211,460	188,256
Total taxpayers' equity		<u>678,959</u>	<u>650,112</u>

The notes on pages 52 to 94 form part of these accounts.



Dr Emyr Roberts, Chief Executive & Accounting Officer

17 July 2015

Statement of Cash Flows

For the period ended 31 March 2015

	Note	2014/15 £'000	2013/14 £'000
Cash flows from operating activities			
Net operating cost	SoCNE	(131,176)	(132,179)
Adjustment relating to non-current assets		15,564	14,083
Adjustment for pension scheme liability	SoCTE	2,126	2,470
(Increase)/Decrease in assets held for sale	10	204	(204)
(Increase)/Decrease in inventories	11	(424)	(411)
(Increase)/Decrease in trade and other receivables	12	1,865	(19,190)
Less movements in receivables not in SoCNE		(140)	0
Increase/(Decrease) in trade and other payables	14	8,199	14,854
Increase/(Decrease) in provisions	15	861	1,683
Increase/(Decrease) in financial liabilities	9	31	39,942
Adjustment for Transfer of current assets, receivables and payables		0	(42,199)
Net cash flow from operating activities		<u>(102,890)</u>	<u>(121,151)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7.1	(7,457)	(11,013)
Purchase of heritage assets	7.2	0	(18)
Purchase of intangible assets	8	(2,934)	(1,909)
Proceeds on disposal of property, plant and equipment		631	201
Net cash outflow from investing activities		<u>(9,760)</u>	<u>(12,739)</u>
Cash flows from financing activities			
Cash receipt on transfer of functions	13	0	10,314
Revenue Grant in Aid from Welsh Government	SoCTE	101,424	114,685
Other grants from Welsh Government	SoCTE	2,544	169
Capital Grant in Aid from Welsh Government	SoCTE	20,369	23,833
Net Financing		<u>124,337</u>	<u>149,001</u>
Net increase in cash and cash equivalents in the period		11,687	15,111
Cash and cash equivalents at the beginning of the period		15,111	0
Cash and cash equivalents at the end of the period		<u>26,798</u>	<u>15,111</u>

The notes on pages 52 to 94 form part of these accounts.

Statement of Changes in Taxpayers Equity

For the period ended 31 March 2015

	General Fund £'000	Revaluation Reserve £'000	Pension Reserve £'000	Total £'000
Opening Balance	188,256	511,056	(49,200)	650,112
Comprehensive net expenditure for year	(135,958)	0	0	(135,958)
In Year Movement				
Opening balance correction	183	(183)	0	0
Assets from previous years	160	0	0	160
In year revaluation	0	40,308	0	40,308
Realised revaluation - depreciation	2,765	(2,765)	0	0
Realised revaluation - disposals	4,813	(4,813)	0	0
Actuarial loss on pension scheme	24,778	0	(24,778)	0
Increase in pension liability	2,126	0	(2,126)	0
Total in-year movement	34,825	32,547	(26,904)	40,468
Funding				
Revenue Grant in Aid from Welsh Government	101,424	0	0	101,424
Other grants from Welsh Government	2,544	0	0	2,544
Capital Grant in Aid from Welsh Government	20,369	0	0	20,369
Balance at 31 March 2015	<u>211,460</u>	<u>543,603</u>	<u>(76,104)</u>	<u>678,959</u>

General fund - reflects the cumulative position of net expenditure and funding from Welsh Government, together with the net value of assets and liabilities transferred to Natural Resources Wales on 1 April 2013.

Revaluation reserve - reflects the cumulative balance of revaluation and indexation of non-current assets.

Pension reserve - reflects the cumulative position of the net assets or liabilities of the pension scheme.

Movement on revaluation reserve relating to intangible assets

	£'000
Opening Balance	2,343
In year revaluation	379
Realised revaluation - depreciation	(831)
Realised revaluation - disposals	(5)
Balance at 31 March 2015	<u>1,886</u>

The notes on pages 52 to 94 form part of these accounts.

Statement of Changes in Taxpayers Equity

Comparative figures for the period ended 31 March 2014

	General Fund £'000	Revaluation Reserve £'000	Pension Reserve £'000	Total £'000
Opening Balance	0	0	0	0
Statement of Comprehensive Net Expenditure				
Transfer of functions	570,040	0	0	570,040
Net operating costs	(132,179)	0	0	(132,179)
Actuarial loss on pension scheme	(3,898)	0	0	(3,898)
Net loss on revaluation	(344)	0	0	(344)
Revaluations- biological assets	22,308	0	0	22,308
Total transfer from SoCNE	455,927	0	0	455,927
Changes to transfers of functions				
Adjustments to non current assets	270	(412)	0	(142)
Pension liability	(4,832)	0	0	(4,832)
Adjustment for deferred income	(1,945)	0	0	(1,945)
Total Changes to transfers of functions	(6,507)	(412)	0	(6,919)
Harmonisation of accounting policies	1,509	(2)	0	1,507
Transfers between reserves				
Opening pension reserve	38,000	0	(38,000)	0
Opening revaluation reserve	(452,587)	452,587	0	0
In Year Movement				
In year revaluation	1,326	59,584	0	60,910
Realised revaluation	701	(701)	0	0
Increase in pension liability	11,200	0	(11,200)	0
Funding				
Revenue Grant in Aid from Welsh Government	114,685	0	0	114,685
Other grants from Welsh Government	169	0	0	169
Capital Grant in Aid from Welsh Government	23,833	0	0	23,833
Balance at 31 March 2014	<u>188,256</u>	<u>511,056</u>	<u>(49,200)</u>	<u>650,112</u>

The notes on pages 52 to 94 form part of these accounts.

Notes to the financial statements

1. Accounting policies

The period being reported is from 1st April 2014 to 31st March 2015. Comparative figures relate to the period from 19th July 2012 to 31st March 2014.

1.1 Basis of accounting

The financial statements have been prepared in accordance with paragraph 23(1) of the Natural Resources Body for Wales (Establishment) Order 2012 and the Financial Reporting Manual (FRoM) issued by HM Treasury.

The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRSs) adapted and interpreted for the public sector context. Where the FRoM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Natural Resources Wales for the purpose of giving a true and fair view has been selected. The particular policies adopted by Natural Resources Wales are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The FRoM suggests that the analysis of costs and income be split between Administration and Programme. As Natural Resources Wales does not receive its Grant in Aid from Welsh Government on this basis, we have not followed this suggestion and have instead analysed the net operating cost to various income and expenditure categories reflecting Natural Resources Wales's nature of work.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported values of assets and liabilities, disclosures of contingent assets and liabilities and the reported amount of income and expenditure. All estimates are based on knowledge of current facts and circumstances, assumptions concerning past events and forecasts of future events and actions.

Details of significant judgments that management have made in the process of applying Natural Resources Wales's accounting policies are provided below. Where appropriate, the relevant notes to the accounts provide further detail on estimation techniques. Actual results may differ from these estimates.

- Estimates for provisions (Note 15) are informed by the outcome of previous relevant events, such as legal cases.
- Pension liabilities (Note 21) are one of the most significant areas of judgement and therefore the specific factors behind the judgements are assessed by independent, qualified actuaries. Their assessment is based on factors such as life expectancy, age of scheme members, prevailing interest and inflation rates and projected returns on invested funds.
- Accrued and deferred income (Note 6.1 and Note 14) have been included for fees and charges balances where there is a surplus or deficit. These have been included due to the fact that charging schemes are required to break even over a reasonable period of time.
- Other specific areas of judgement include the determination of useful economic lives (and thus of depreciation and amortisation rates) of assets (Note 7 and Note 8). In addition judgment is used in the determination of any impairment of property, plant and equipment and intangible assets and the capital works expensed in year (Note 4).

1.2 Accounting convention

These accounts have been prepared on an accruals basis, under the historical cost convention, modified to account for the revaluation of property, plant and equipment apart from vehicles and intangible assets. The accounts are prepared on a going concern basis.

1.3 Income, costs and grants

1.3.1 Income and expenditure

Income disclosed in the accounts represents revenue, exclusive of Value Added Tax (VAT), received and receivable during the accounting period in respect to the functions undertaken by Natural Resources Wales.

Income from charges for the regulation of businesses in Wales to monitor and control their impact on the environment, whether air, water or land, is derived from a combination of fees and charges for applications and ongoing regulation. Income also arises from the sale of timber, recreational activities and the issuing of licences to permit activities, such as fishing in controlled waters or the navigation of boats and other craft on designated rivers. Income is recognised on an accruals basis and the amounts are recorded at fair value.

Costs disclosed in the accounts represent expenditure, exclusive of recoverable VAT, paid and payable during the accounting period in respect to the functions undertaken by Natural Resources Wales.

1.3.2 Grant in Aid

Grant in Aid receipts, whether revenue or capital in nature, are treated as financing received from a controlling party. In accordance with the FReM, other grants from Welsh Government are similarly treated as financing received from a controlling party. These receipts are credited directly to the general fund.

1.3.3 Grants and contributions

Other grants relating to specific capital expenditure are treated as deferred grants and contributions if the following conditions are attached to the grant:

- i. If the grant is provided on condition of construction of an asset and the grant is repayable only if the asset is not constructed; then the income is recognised over the period of construction of the asset.
- ii. If the grant is provided on condition of construction of the asset and also imposes a condition on the condition of the asset over its useful life, then the income is recognised over the useful economic life of the asset. The method of apportioning the amortisation each year will depend upon the contract terms associated with each grant receipt.

Such grants are credited to the Statement of Comprehensive Net Expenditure over the period defined above.

Natural Resources Wales has received no grants during the period with these conditions attached. Therefore all grant contributions received have been recognised as income within the Statement of Comprehensive Net Expenditure.

1.4 Capitalisation

The threshold for capitalising assets is £5,000. Assets with a cost, or, if donated, fair value at the point of donation of less than £5,000, or which have a useful economic life of less than one year, are charged to the Statement of Comprehensive Net Expenditure in the year of purchase. Individual items costing less than £5,000 can be grouped as one asset when purchased together, if the total cost exceeds £5,000, and these assets operate as part of a network. Land is also capitalised as a non-current asset, irrespective of cost or value.

Subsequent expenditure on an asset is capitalised if the criteria for initial capitalisation are met, it is probable that additional economic benefits will flow to Natural Resources Wales, and the cost of the expenditure can be reliably measured.

1.5 Capital works expensed in year

Capital works expensed in year (CWEIY) relates to expenditure which is capital in nature but where Natural Resources Wales does not retain the related risks and rewards of ownership or cannot reliably estimate the useful life of the asset. This includes items such as flood assets built on land which is not owned by Natural Resources Wales and assets which it is not possible to check for impairment so it is more prudent to write the asset off in year.

1.6 Property, plant and equipment

Legal ownership of the Welsh Government Woodland Estate is vested with the Welsh Ministers. The Welsh Government Woodland Estate is included in NRW's Statement of Financial Position as NRW carries the financial risks and rewards associated with the Estate and undertakes all estate management activities. Legal ownership of timber, including uncut trees, is vested in Natural Resources Wales. All other tangible fixed assets are vested in Natural Resources Wales.

1.6.1 Forest estate

Forested areas comprise land (including land improvements) and growing timber. Elements of growing timber fall within the definition of biological assets set out in International Accounting Standard (IAS) 41 (Agriculture). Details of the accounting policy are set out below. Forest estate within Property, plant and equipment consists of all underlying land within the Welsh Government Woodland Estate and growing timber falling outside the definition of biological assets. Elements of the valuation and therefore the accounting for these assets rely on estimation techniques. These are detailed under Note 1.20.

The forest estate is shown at fair value. External professional valuers undertake a full valuation of the forest estate at five yearly intervals. Smiths Gore Chartered Surveyors were appointed as valuers for the last full valuation as at 31 March 2013. In accordance with the Royal Institution of Chartered Surveyors (RICS)'s Appraisal and Valuation Standards (the Red Book), the forest estate is valued under the existing use or fair value models as appropriate for obtaining a fair value. In the intervening years between full valuations, custom indices are used to restate land values. The indices as at 31 March 2015 were provided by Smiths Gore. Natural Resources Wales and its external professional valuers have developed processes, including key assumptions, which produce a reasonable estimate of a compliant valuation.

Adjustments arising from revaluation are taken to the revaluation reserve and released to General Fund when gains are realised in the felling of trees.

1.6.2 Lake Vyrnwy Joint Afforestation Scheme

Natural Resources Wales operates a joint afforestation scheme with Severn Trent Water in the Lake Vyrnwy area of the forest estate. Natural Resources Wales manages this area of forest. Income is received and costs incurred by Natural Resources Wales. An annual payment of 50% of the operating surplus for the Lake Vyrnwy estate is paid to Severn Trent Water. Natural Resources Wales shows the value of 50% of the growing trees for this area of forest in the Statement of Financial Position, split between forest estate and biological assets. The value of the underlying land (which remains Severn Trent Water's property) is not included.

1.6.3 Land and buildings

Land and buildings (including dwellings) are valued at fair value, on the basis of open market value for existing use and are subject to independent professional revaluation in accordance with the RICS valuation standards every five years.

In between professional revaluations, values are indexed annually using an appropriate index under the modified historical cost convention. Adjustments arising from revaluations are taken to the revaluation reserve unless the reserve balance in respect to a particular asset has been fully utilised against downward revaluation, in which case the movement is recognised in the Statement of Comprehensive Net Expenditure. Any permanent reductions in value are transferred to the Statement of Comprehensive Net Expenditure.

1.6.4 Plant and machinery

Plant and machinery is valued at fair value on the basis of open market value. Plant and machinery excluding vehicles is indexed annually using an appropriate index under the modified historical cost convention. Adjustments arising from revaluations are taken to the revaluation reserve unless the reserve balance in respect to a particular asset has been fully utilised against downward revaluation, in which case the movement is recognised in the Statement of Comprehensive Net Expenditure. Any permanent reductions in value are transferred to the Statement of Comprehensive Net Expenditure. The statement includes the accounting for finance leases.

1.6.5 Information technology

Information technology equipment is valued at fair value on the basis of open market value.

Information technology equipment is indexed annually using an appropriate index under the modified historical cost convention. Adjustments arising from revaluations are taken to the revaluation reserve unless the reserve balance in respect to a particular asset has been fully utilised against downward revaluation, in which case the movement is recognised in the Statement of Comprehensive Net Expenditure. Any permanent reductions in value are transferred to the Statement of Comprehensive Net Expenditure.

1.6.6 Operational structures

Operational structures are used in Natural Resources Wales's service delivery and are specific in nature, location or function. It is not possible to revalue these assets effectively using market comparatives or professional valuations. These assets are held in the Statement of Financial Position at depreciated replacement cost and are indexed annually using an appropriate index. Typically these assets include flood defence works, such as barriers, pumping stations and flood risk management landholdings and water resource assets such as telemetry stations and boreholes.

1.6.7 Assets under construction

All tangible non-current assets under construction and not in operation at the year-end are capitalised as a non-current asset under construction. They are carried at cost and transferred to the appropriate non-current asset category when completed and ready for use. No depreciation is recognised until the non-current asset is brought into use.

1.6.8 Depreciation

The forest estate is not depreciated.

Land is not depreciated, unless it forms an essential element of an operational structure and this significantly changes its nature. There are only a small number of land assets that fall into this category and they mainly relate to our habitats work. These assets are being depreciated to residual value over the life of the relevant operational structure, as it is not possible to separate the land from the rest of the asset.

Non-current assets under construction are not depreciated.

For all other asset categories, depreciation is calculated so as to write down the value of a tangible non-current asset to its residual value over its expected useful economic life. Depreciation is charged in the month of disposal, but not in the month of acquisition.

Plant and machinery is shown at modified historic cost and depreciated accordingly. Vehicles shown in the plant and machinery category are depreciated on a reducing balance basis at a rate of 21%. All other assets are depreciated on a straight line basis.

The principal economic lives used for depreciation purposes are:

Asset category	Principal economic life
Operational structures	5-100 years
Buildings and dwellings	10-60 years
Plant and machinery	4-25 years
Information technology	3-10 years

The range in the economic lives reflects the wide range in types of assets within the asset categories. Transferred in assets continued with the lives they were assigned within their legacy bodies, which may differ from the lives shown above

Depreciation is charged to the Statement of Comprehensive Net Expenditure. Asset lives are reviewed annually.

1.7 Heritage assets and biological assets

1.7.1 Heritage assets

Assets classified as heritage assets comprise land within designated conservation areas. This land is held in support of one of the organisation's primary aims of increasing knowledge, understanding and appreciation of the Welsh natural environment. Because of the diverse nature of the land held and the lack of comparable market values, Natural Resources Wales considers that obtaining external valuations would involve disproportionate cost. Heritage assets are therefore held at cost. Acquisitions are normally made by purchase or donation. Purchases are recorded at cost and donations are recorded at a current valuation ascertained by a Natural Resources Wales land agent.

Preservation costs (expenditure required to preserve the heritage asset) are recognised in the Statement of Comprehensive Net Expenditure when they are incurred.

Heritage assets are not revalued or depreciated.

Further information on heritage assets can be found in Note 7.2.

1.7.2 Biological assets

Under IAS 41 (Agriculture), the growing of timber within forest held primarily for economic purposes (in support of the Welsh Government's objective of making a positive contribution to a thriving and sustainable Welsh economy) must be classified as a biological asset and other growing timber as property, plant and equipment (PPE). Natural Resources Wales's estate is held for social, environmental, climate change and economic objectives, and so a broad assessment must be made of the proportion primarily held for economic purposes. The percentage split is currently 26% for biological assets and 74% for PPE.

Biological assets comprise standing trees and are valued at fair value less estimated point-of sale costs, except where fair value cannot be measured reliably. External professional valuers undertake a full external professional valuation at five yearly intervals. As detailed in 1.6.1 above, the valuation is carried out by Smiths Gore Chartered Surveyors, in accordance with RICS' Red Book under the existing use or fair value models as appropriate for obtaining a fair value. In the intervening years between professional valuations, custom indices are used to restate land values. Revaluation gains and losses are recognised in the Statement of Comprehensive Net Expenditure in the year of revaluation.

1.8 Intangible assets

Intangible assets with a value exceeding £5,000 are initially recorded at cost and are then revised annually through the use of suitable indices to fair value, reflecting depreciated replacement cost. Amortisation is calculated so as to write off the value of intangible assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal economic lives used for amortisation purposes are:

Asset category	Principal economic life
Software licences	5 -25 years
Internally developed software	3 -10 years

1.8.1 Research and development costs

Costs are classified as relating to either research or to development phases. Expenditure on research is not capitalised and is written off to the Statement of Comprehensive Net Expenditure as incurred, due to the inherent uncertainty surrounding the economic benefit resulting from it. Development expenditure is capitalised and written off over the useful life of the asset on fulfilment of the criteria noted in IAS 38 (Intangible Assets). Internally generated assets are recognised as assets under construction at cost and not revalued or depreciated until the completed asset is brought into service.

1.9 Non-current assets held for sale

Non-current assets are classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use. Depreciation ceases immediately on the classification of the assets as being held for sale. They are stated at the lower of their carrying amount and fair value less costs to sell. They are recorded as current assets in the Statement of Financial Position.

Non-current assets are only deemed to be assets held for sale if management is committed to a plan to sell and if the asset is being actively marketed in its present condition at a price which is reasonable in relation to its current condition.

1.10 Revaluation reserve

The revaluation reserve shows the gains made by the Natural Resources Wales arising from increases in the value of property, plant and equipment and intangible assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost.
- Used in the provision of services and the gains are consumed through depreciation.
- Disposed of and the gains are realised.

An amount representing the difference between the depreciation charged on the revalued assets and that which would have been charged if the assets were shown at cost is transferred from the revaluation reserve to the general fund.

1.11 Impairment

Non-current assets are subject to annual impairment reviews. Impairments are recognised when the recoverable amount of non-current assets falls below their carrying amount, as a result of either a fall in value owing to market conditions or a loss in economic benefit.

Downward revaluations resulting from changes in market value only result in an impairment where the asset is revalued below its historical cost carrying amount. The FReM requires that the effect of downward revaluation is firstly set against any accumulated balance in the revaluation reserve. Any amount in addition to this is recognised as impairment through the Statement of Comprehensive Net Expenditure.

In line with the FReM, any loss of economic benefit is recognised in full against expenditure. An amount to the value of the impairment is transferred from the revaluation reserve to the general fund for the individual assets concerned.

1.12 Inventory

Inventory consists of felled timber stocks and work in progress and is valued at fair value less estimated selling costs expected to be incurred to completion and disposal. Fair value is estimated using expected sales prices.

1.13 Accrued and deferred income

Accumulated surpluses and deficits relating to water resources and other charge schemes are treated as deferred income or accrued income depending on whether the charging scheme is in surplus or deficit. These balances are only treated as deferred or accrued income where there is an expectation that the balances will be recoverable over a reasonable period of time. The balances are considered when setting future years' fees and charges, to enable a break even position to be achieved over a reasonable time period, which is currently considered to be three years.

Deferred income includes the environmental improvement unit charges received from abstractors, to be used to fund compensation payments for the variation or revocation of abstraction licences. This change in licence conditions requires approval from the Welsh Government and the charges are used to reduce the environmental damage caused to watercourses through abstracting too much

water. Balances are retained for water companies and non-water companies. Charges are only raised where compensation has been assessed as likely to be paid in the future. Abstractors are charged an environmental improvement unit charge (EIUC) in addition to the standard unit charge (SUC).

The water resources balances at 31 March 2015 were:

SUC balance	£(1.9)m
EIUC balance for non-water companies	£(1.7)m
Total	£(3.6)m

Natural Resources Wales uses the money raised from this charge exclusively to make compensation payments so any remaining balances at year end are carried forward to meet future compensation payments. The balances arise because we have to collect sufficient funds to pay the compensation before revoking or varying a licence.

1.14 Leases

The determination of whether an arrangement is, or contains, a lease is based upon the substance of that arrangement. An arrangement which is dependent on the use of a specific asset and which conveys the right to use the asset is regarded as a lease.

A finance lease is one which transfers substantially the risks and rewards of ownership of an asset to the lessee. An operating lease is a lease other than a finance lease. Leases are assessed using the criteria laid down in IAS 17 (Leases).

Costs relating to operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the lease term. Lease incentives (such as a rent free period) are recognised as a reduction of the rental expense over the lease term on a straight line basis. Lease premiums are amortized over the lease term.

Finance leases are capitalised at commencement at the lower of the fair value of the leased asset or the present value of the minimum lease payments. A corresponding debt due to the lessor is recorded represented by the minimum lease payments over the unexpired term of the lease. Where it is not possible to determine the interest rate implicit in the lease, discounting is undertaken on the basis of rates directed by HM Treasury.

Assets held under finance lease are depreciated over the shorter of the useful life of the asset or the term of the lease. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other payables. Finance charges are charged to the Statement of Comprehensive Net Expenditure.

1.15 Provisions

Natural Resources Wales provides for obligations arising from past events where there is a present obligation at the date of the Statement of Financial Position, it is probable that we will be required to settle the obligation and a reliable financial estimate can be made.

Natural Resources Wales makes all appropriate provisions where these meet the definition within IAS 37 (Provisions, Contingent Liabilities and Contingent Assets). Where material the future costs of provisions are discounted using the rates directed by HM Treasury. Details of rates used are given in Note 15.

A provision is shown in the accounts for outstanding claims under grant offers made to partners to support work completed up to 31 March 2015. The provision is based on the claims due to be received in the first three months of the new financial year in respect of work done in the previous year, adjusted where it is known that the work was not completed at 31 March 2015.

1.16 Contingent liabilities

Natural Resources Wales discloses possible obligations arising from past events where the outcome is based on uncertain future events. Disclosure is made where a present obligation is not probable or cannot be measured reliably.

1.17 Contingent assets

Natural Resources Wales discloses possible assets arising from past events whose existence will only be confirmed by uncertain future events not wholly within its control. There were no contingent assets at 31 March 2015.

1.18 Financial instruments

1.18.1 Financial assets and liabilities

Natural Resources Wales classifies loans, receivables and assets available for sale as financial assets. Financial liabilities are any contractual obligations to deliver cash or financial assets to a third party. Management determines the classification of financial assets and liabilities at the time that they are initially identified.

1.18.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Loans and receivables are initially recognised at fair value and subsequently held at amortised cost using the effective interest method. Fair value is usually the original invoiced amount.

1.18.3 Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale. They are initially recognised at fair value and subsequently re-measured to fair value at each Statement of Financial Position date. Any increase due to changes in fair value is recognised in reserves.

1.18.4 Financial liabilities

Financial liabilities are recognised initially at fair value and are subsequently held at amortised cost using the effective interest method. Financial liabilities are derecognised when the obligation has expired.

Natural Resources Wales holds certain financial instrument liabilities as a result of Reservoir Operating Agreements with Dwr Cymru Welsh Water entered into at their privatisation. These liabilities are treated as perpetuities and recorded in the Statement of Financial Position at amortised cost. The annual payments arising from these liabilities increase annually in line with the retail price index (RPI).

Natural Resources Wales is exposed to the risk of changes in the rate of inflation. The RPI rate has fluctuated significantly over the life of these financial liabilities. The average rate over the 26 years since 1989 is 3%, however the range in this period is between 9% and 1%. This is a macroeconomic risk that Natural Resources Wales cannot itself manage in any way. However Natural Resources Wales is able to recover the full cost of reservoir operating agreements through its charges for water abstraction.

1.18.5 Embedded derivatives

Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. Where the economic characteristics and risks of the embedded derivatives are not closely related to those of the contract, and the host contract itself is not carried at fair value through profit or loss, the embedded derivative is separated and reported at fair value with gains and losses being recognised in the Statement of Comprehensive Net Expenditure. Natural Resources Wales has carried out a review of its contracts and has determined that, as at 31 March 2015, it had no arrangements meeting the criteria to require separation.

1.18.6 Impairment of financial assets

Natural Resources Wales assesses at each Statement of Financial Position date whether there is objective evidence that financial assets are impaired as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the Statement of Financial Position date. It also considers whether any loss event has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

1.19 Employee benefits

Natural Resources Wales is a member of two pension schemes. The Principal Civil Service Pension Scheme is an open scheme and is the scheme for new members of staff. Natural Resources Wales is a closed member of the Environment Agency's pension fund (a Local Government pension fund) under a community admission agreement.

1.19.1 Pensions

For the former Countryside Council for Wales and Forestry Commission Wales staff, the employers' contributions are payable to the Principal Civil Service Pension Scheme at one of four rates as set out below, based on salary bands.

Salary Band (£)	%
21,500 and under	16.7
21,501 to 44,500	18.8
44,501 to 74,500	21.8
74,501 and above	24.3

Natural Resources Wales makes regular contributions to the Environment Agency Pension Fund (known as the Active Fund) to fund current and future pension liabilities. Contributions are charged to the Statement of Comprehensive Net Expenditure taking account of the expected pension costs over the service lives of the employees and are set at a level sufficient to ensure the scheme is fully funded following formal actuarial valuations of the fund.

1.19.2 Other employee benefits

A liability is recognised for holiday pay and other short-term benefits when the employees render service that increases their entitlement to these benefits. As a result an accrual has been made for holidays earned but not yet taken.

Termination benefits are recognised as a liability, when Natural Resources Wales has a binding commitment to terminate the employment of an employee or group of employees before the normal retirement date, or as a result of an offer to encourage voluntary exit.

1.20 Estimation techniques

1.20.1 Critical accounting judgements and key sources of estimation uncertainty.

In the application of Natural Resources Wales's accounting policies, judgements, estimates and assumptions need to be made about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

1.20.2 Critical judgements in applying the accounting policies

The following are the critical judgements and estimates that have been made in the process of applying Natural Resources Wales's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

1.20.3 Valuation of the Forest Estate and biological assets

Natural Resources Wales believes that it would not be cost effective to carry out a five-yearly external professional valuation covering all areas of woodland, including those with biological assets. Following advice from professionally qualified valuers it is considered that a reasonable valuation can be derived by carrying out on-site valuations of a random sample of properties representing between eight and ten per cent of the forest estate and extrapolating these for the whole.

Natural Resources Wales, in consultation with the external valuers, considers that valuations based on groups of factors provide robust valuations and that the most appropriate market factors to consider are location, species, age and quality (yield class) of the trees.

It is also considered that the most appropriate market-based evidence of value is derived from the market for the sale of woodlands and forests over fifty hectares in area. It is recognised that even so there can still be a wide spread of values and these can be somewhat subjective judgements. Thus any valuation of woods will have a degree of reliance on professional opinion. The external valuers subsequently apportion values to land and timber. As required under IAS 41 (Agriculture) the fair value of biological assets is reduced by estimated costs to the point of sale. These costs are estimated at five per cent of timber values and reflect the costs of selling the woodland or forest.

1.20.4 Biological assets

In applying IAS 41 (Agriculture) the detailed criteria for classifying forestry activities as agricultural were considered. It was determined that not all forestry activity carried out by Natural Resources Wales could be regarded as agriculture under the standard, as woodlands and forests are primarily held and managed to meet the sustainable forest management objectives set out in Woodlands for Wales.

A detailed analysis of the forest estate was undertaken using a scoring system to determine those areas of the forest estate that fell within the four corporate objectives of social, economic, environmental and climate change, based on a range of criteria. The resulting percentage attributed to economic was used to determine the implied value of trees classed as a biological asset. Should there be an acquisition or disposal of land that would create a total change of land holding of ten per cent or otherwise be of significance with regard to the analysis an interim review would take place.

There was no such change during the period ending 31 March 2015.

1.20.5 Accrual for cost of untaken leave.

The estimate for the cost of untaken leave at 31 March 2015 was obtained by calculating the value of untaken leave for a sample of staff and extrapolating to the full time equivalent for all staff employed at 31 March 2015.

1.21 Internal Drainage Districts

There are eleven Internal Drainage Districts (IDDs) located within North West Wales. The work undertaken in each IDD is funded by a combination of drainage rates levied on occupiers of agricultural land (e.g. farmers) and special levies paid by Local Authorities in respect of non-agricultural land. Natural Resources Wales acts as the Internal Drainage Board (IDB) for these districts.

Natural Resources Wales is required (by section 40 of the Land Drainage Act 1991) to set drainage rates, and by Regulation 7 of the Internal Drainage Boards (Finance) Regulations 1992 to issue special levies before the 15th February of the financial year preceding the year to which they relate.

The drainage rates, special levies and precepts for 2014/15 were set by the Board in February 2014. The amount raised via special levies was £100k, and from drainage rates was £52k. The total expenditure incurred on these eleven IDDs in 2014/15 was £162k, and the balance carried forward to 2015/16 is a surplus of £6k.

1.22 Value added tax

Natural Resources Wales is classified as a body to which section 33 of the VAT Act 1994 applies. Accordingly Natural Resources Wales recovers tax paid on both business and non-business activities. The recovery of VAT relating to exempt supplies is assessed via HMRC's partial exemption regulations.

In all instances, where output tax is charged, or input tax is recoverable, the amounts included in these accounts are stated net of VAT.

1.23 Adoption of new and revised IFRS or FReM interpretations

IFRS

IAS 8 requires disclosures in respect of new IFRSs, amendments and interpretations that are, or will be applicable after the reporting period. A number of IFRSs, amendments and interpretations issued by the International Accounting Standards Board (IASB) become effective in future reporting periods. Natural Resources Wales has not adopted any new IFRS standards early.

FReM

Every year HM Treasury issues an updated FReM, which interprets IFRS for the public sector. For the period ended 31st March 2015, there are no changes which will affect Natural Resources Wales.

1.24 Windfarm option fees

In 2013/14 the payment of windfarm option fees of £1.19m to Welsh Government was netted off against renewable energy income. For 2014/15 the net payment of £2.478m to Welsh Government is shown as expenditure in Note 5 under operational costs and the full value of the windfarm option fees is shown within the renewable income of £7.522m in Note 6.

1.25 Prior period adjustment

Following a review of categories for capital works expensed in year (CWEIY) as reported in Note 4, the figures in some categories have been restated. The adjustment to 2013/14 figures are shown below.

Categories	Original		Adjustment		Restated	
	Actual	Committed	Actual	Committed	Actual	Committed
	£'000	£'000	£'000	£'000	£'000	£'000
Restore and refurbishment	2,868	649	564	689	3,432	1,338
Embankments	2,961	1,068	7,461	5	10,422	1,073
Capital grants	2,424	1,390	0	0	2,424	1,390
Flood mapping	155	27	(13)	0	142	27
Piling	166	8	0	0	166	8
Culverts and channel improvements	216	34	(1)	0	215	34
Flood risk management strategies	8,462	808	(8,385)	(791)	77	17
Other CWEIY	1,742	111	374	97	2,116	208
Total	<u>18,994</u>	<u>4,095</u>	<u>0</u>	<u>0</u>	<u>18,994</u>	<u>4,095</u>

The most significant changes are the correct classification of work on embankments and restoration at Fairbourne (£3.8m) and Lower Swansea Vale (£4.5m) which had been shown under flood risk management strategies in the 2013/14 accounts.

The implementation of the new finance system has enabled us to amend the categories reported in Note 5 -Other expenditure, Note 12 -Receivables and Note 14 -Payables. Prior year figures in these notes have been restated to correspond to the new categories.

Significant changes are:

- In Note 5 the expenditure on 'Plant, habitat and species protection', 'Timber harvesting, marketing and restocking' and 'Other forestry programme costs' is now shown under 'Bought in services'.
- In Note 12 'Prepayments and accrued income' are now reported in two separate categories.

There are no significant changes to Note 14 categories.

1.26 Financial Provisions (Landfill Sites)

For all landfill sites, financial provision arrangements need to be established before a permit is granted. The financial provision arrangements must be in place prior to the commencement of disposal operations, and such provisions need to be sufficient (in monetary terms), secure and available when required. This applies to operators of sites that are permitted to carry out landfill or other activities (e.g. dredging lagoons) where waste is finally disposed of to land. Landfill sites include all waste sites that are subject to the landfill directive.

The following are the principal mechanisms that Natural Resources Wales will accept for demonstrating financial provision arrangements:

- Renewable bonds (shown in note 14)
- Escrow accounts
- Cash deposits with Natural Resources Wales (shown in note 14)
- Local authority deed agreements
- Parent company guarantees
- Umbrella agreements (covering a number of sites)

An escrow account is a bank account access which would be triggered by an event at a landfill site. It is a joint account between the waste operator and Natural Resources Wales and is operated under an appropriate deed of trust agreement and bank mandate.

2. Analysis of net expenditure by segment

	Transition	Organisational Development & People Management	Finance & Corporate Services	National Services	Operations North & Mid Wales	Operations South	Knowledge Strategy & Planning	Chief Executive, Governance	External Relations & Communications	Centrally Controlled	Total
Reported by segments	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure	6,435	5,529	31,323	44,004	25,603	32,275	28,864	3,847	1,073	19,147	198,100
Income	0	0	(36,081)	(25,269)	(3,132)	(1,643)	(2,998)	(354)	0	437	(69,040)
Total	<u>6,435</u>	<u>5,529</u>	<u>(4,758)</u>	<u>18,735</u>	<u>22,471</u>	<u>30,632</u>	<u>25,866</u>	<u>3,493</u>	<u>1,073</u>	<u>19,584</u>	<u>129,060</u>
Capital Expenditure	6,874	0	1,501	1,673	217	409	0	0	0	0	10,674
Total Net Expenditure in SoCNE											<u>129,060</u>

Factors

The factors used to report segments are how Natural Resources Wales prioritised its management and budgetary decisions. Income and expenditure shown above was directly attributed to the segments

Description of segments

Transition

Delivers the transformational programmes for Natural Resources Wales to enable us to be self sufficient.

Organisational Development & People Management

Provides organisational development and staff resource management.

Finance & Corporate Services

Provides financial and procurement support. Manages Natural Resources Wales's buildings and fleet. Delivers IT 'business as usual' services.

National Services

Delivers a range of services for whole of Wales. There include flood and coastal risk management, capital programme management, forestry harvesting and the customer contact centre.

Operations North & Mid Wales

Delivers statutory purposes and aspirations, at an operational level and via a network of local teams, within the seven counties of North Wales, Ceredigion and the Montgomery and Radnor areas of Powys.

Operations South

Delivers statutory purposes and aspirations, at an operational level and via a network of local teams, within the counties of South Wales and the Brecknockshire area of Powys.

Knowledge Strategy & Planning

Manages the strategic environmental, spatial and business planning function of NRW.

Chief Executive, Governance & Planning

The Chief Executive is also the Accounting Officer and is personally responsible for the proper stewardship of the public funds within his charge, for the day-to-day operations and management of the Natural Resources Wales. Governance provides and delivers legal services; planning, performance & reporting; audit & risk assurance and secretariat and information governance.

External Relations & Communications

Provide an integrated communications and marketing service.

Centrally controlled

Income and expenditure controlled centrally and not allocated to directorates. It includes depreciation, book value of fellings, year end accruals for provisions.

Comparatives for period to 31 March 2014

	Transition	Organisational Development & People Management	Finance & Corporate Services	National Services	Operations North & Mid Wales	Operations South	Knowledge Strategy & Planning	Chief Executive, Governance & Planning	Centrally Controlled	Total
Reported by segments	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure	3,018	7,752	32,390	48,046	23,898	33,175	28,794	4,229	17,647	198,949
Income	0	0	0	(19,958)	(3,172)	(1,152)	(2,004)	0	(42,416)	(68,702)
Total	<u>3,018</u>	<u>7,752</u>	<u>32,390</u>	<u>28,088</u>	<u>20,726</u>	<u>32,023</u>	<u>26,790</u>	<u>4,229</u>	<u>(24,769)</u>	<u>130,247</u>
Capital Expenditure	6,721	0	2,599	1,380	551	101	1,588	0	0	12,940

3. Staff numbers and related costs

3.1 Staff costs

		2014/15		2013/14	
	£'000	£'000	£'000	£'000	£'000
	Permanent Staff	Other Staff	Total	Total	Total
Wages and salaries	57,275	5,097	62,372	62,346	62,346
Social security costs	4,526	213	4,739	4,777	4,777
Other pension costs	11,717	460	12,177	9,732	9,732
Total net salary costs	73,518	5,770	79,288	76,855	76,855
Other expenditure for staff	Note				
Exit package costs			2,790	5,138	5,138
IAS 19 (Pensions) additional service charge	21		7,323	5,955	5,955
Less early retirement pension costs			(97)	(601)	(601)
Less in-year LGPS pension contributions			(7,216)	(4,832)	(4,832)
Transfer to Provision for Annual Compensation Payments			5	32	32
Other staff costs			0	39	39
Movement in Accrued Holiday Pay			81	(278)	(278)
Total other expenditure for staff			2,886	5,453	5,453
Less amounts charged to capital projects			(2,019)	(2,058)	(2,058)
Total staff costs			80,155	80,250	80,250

Details of NRW's pension arrangements can be found in note 21.

Details of the remuneration of Board Members and Directors are in the remuneration report.

3.2 Average number of persons employed

The average number of full-time equivalent persons employed during the year was as follows:

	2014/15		2013/14	
	Permanent Staff Number	Other Staff Number	Total Number	Total Number
Directly employed	1,805	100	1,905	1,973
Agency staff and contractors	0	47	47	37
Total	1,805	147	1,952	2,010

The full time equivalent number of staff employed on capital projects was 50 (58 in 2013/14).

3.3 Compensation schemes - exit packages

Exit package cost band	Number of agreed exit packages by cost band 2014/5	Number of agreed exit packages by cost band 2013/14
Under £10,000	0	5
£10,001 - £25,000	10	31
£25,001 - £50,000	18	51
£50,001 - £100,000	29	37
£100,001 - £150,000	1	2
Over £150,000	0	0
Total	<u>58</u>	<u>126</u>

Total resource cost for 2014/15 was £2,884k. (Total cost of £5,138k in 2013/14)

There were no compulsory redundancies in 2014/15 or in 2013/14.

The voluntary exit costs have been paid in accordance with provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year they are agreed. Where the legacy bodies agreed early retirements the costs were accounted for in full in the year when they were agreed, and a provision made for future commitments. The Annual Compensation Payments made in respect of these exit packages agreed in previous years are shown in Note 15 (Provisions).

Ill-health retirement costs are met by the pension schemes and are not included in the table.

3.4 Principal Civil Service Pension Scheme contributions

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but Natural Resources Wales is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office at www.civilservicepensionscheme.org.uk/about-us/resource-accounts/.

For 2014-15, employers' contributions of £4,931k were payable to the PCSPS (contributions in 2013/14 were £4,876k) at one of four rates in the range 16.7% to 24.3% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2014-15 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £28k were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable earnings. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £2k, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Employer contributions due to the partnership pension providers at the balance sheet date were £3k. No contributions were prepaid at that date.

3.5 Local Government Pension Scheme contributions

Natural Resources Wales makes payments to the Environment Agency Pension Fund (EAPF), as the Administering Authority for the Local Government Pension Scheme (LGPS) via Capita, the pension fund administrators.

The LGPS is a funded, statutory, defined contribution public service pension scheme. Hymans Robertson, the actuary for the EAPF, carries out a triennial valuation of the Fund's assets and liabilities in order to ensure that LGPS benefits are properly funded. The assets of the Fund are for meeting future pension liabilities. The main purpose of the actuarial valuation is to review the financial position of the Fund and to set the level of future contributions for employers in the Fund. The latest valuation was carried out as at 31 March 2013 for the three year period from 1 April 2014 to 31 March 2017.

Natural Resources Wales has a Community Admission Agreement with the EAPF in order to participate in the LGPS, which was approved by the Secretary of State for Communities and Local Government in respect of former Environment Agency Wales staff who transferred to Natural Resources Wales on 1 April 2013. The liabilities for former members employed by the Environment Agency in respect of Welsh functions (pensions in payment and deferred members) also transferred. Welsh Government has entered into a guarantee with the EAPF to indemnify them for any liabilities that arise from the participation of Natural Resources Wales in the EAPF. The scheme is run on a 'closed' basis and not available to staff joining Natural Resources Wales.

For 2014/15 the employer's contribution rate was 20.2%. (Contribution rate in 2013/14 was 13%). In 2014/15 employer's contributions of £7,216k were paid to the LGPS. (Contributions in 2013/14 were £4,832k)

4. Capital works expensed in year

	2014/15	2013/14	31 March 2015	31 March 2014
	Actual	Restated Actual	Committed	Restated Committed
Categories	£'000	£'000	£'000	£'000
Restore and refurbishment	7,834	3,432	4,645	1,338
Embankments	2,513	10,422	1,107	1,073
Capital grants	2,038	2,424	0	1,390
Flood mapping	420	142	167	27
Piling	245	166	5	8
Culverts and channel improvements	62	215	162	34
Flood risk management strategies	49	77	1	17
Other	2,357	2,116	399	208
Total	<u>15,518</u>	<u>18,994</u>	<u>6,486</u>	<u>4,095</u>

Category description

Restore and refurbishment

This entails carrying out works to ensure that the condition of the flood defences are retained in the appropriate condition and restored to that condition as necessary.

Embankments

A significant proportion of projects involve the creation, improvement or heightening of embankments along watercourses to reduce the risk of the water escaping from the river channel.

Capital grants

These are grants, mostly to Local Authorities, which fund work of a capital nature. It includes work on the Wales Coast Path, the Right of Way Improvement Programme, and also grants to assist with purchase of land.

Flood mapping

Flood mapping is the production of multi-layered maps which provide information on flooding from groundwater, rivers and the sea for Wales. Flood maps also have information on flood defences and the areas benefiting from those flood defences.

Piling

This relates to the installation of piles (normally steel) along the river banks to strengthen them and secure the adjacent land and prevent landslips into the river causing obstructions. These works would largely be below ground. Once installed there is no ongoing benefit to Natural Resources Wales.

Culverts and channel improvements

This involves work on repairing or replacing culverts under land, roads and properties and channel improvements that assist the flow of watercourses.

Flood risk management strategies

Strategies are developed to provide long term flood risk options to cover a large area. It is from the long term strategies that individual flood risk projects are developed.

Other

Other costs include the preparation of Water Level Management Plans and Catchment Flood Management Plans, locks and other waterway improvements, telemetry replacement and fish habitats improvement.

5. Other expenditure

5.1 Other expenditure comprises the following categories of cost

	to 31 March 2015	Restated to 31 March 2014
	£'000	£'000
Cash items		
Bought in services	18,897	17,644
Service Levels Agreements	14,607	15,494
Grants	8,222	9,669
Reservoir operating agreements	6,938	6,484
ICT Costs	6,222	3,867
Office costs	5,010	5,423
Operational costs	3,686	1,337
Fleet costs	3,613	4,438
Forest roads	3,365	2,744
Travel and subsistence	3,077	3,138
Materials	2,931	2,749
Collaborative agreements	2,899	2,258
Rents	1,938	2,467
Fees and court costs	1,103	1,070
Staff related costs	903	775
Rates	780	818
Training	736	781
Write-offs and special payments	498	100
EU Grants	474	2,530
Statutory audit fees	171	169
Finance lease interest	40	116
Non-statutory audit fees	22	0
Donations	5	0
Sub-total	86,137	84,071
Non-cash expenditure		
Depreciation and amortisation	7,211	6,930
Value of felled trees	6,644	7,118
Movement on other provisions	1,072	960
Write-offs	642	0
Prior year expenditure on assets	801	0
Asset review adjustments	626	0
(Gain) / Loss on disposal	(279)	(26)
Movement on Bad Debt Provision	(427)	652
Sub-total	16,290	15,634
Total	102,427	99,705

As a new finance system has been implemented we have taken the opportunity to amend the categories reported in this note. Figures for 2013/2014 have been restated accordingly.

5.2 Auditor's remuneration

The fee for the statutory audit of the 2014/15 accounts is £159k. We incurred an additional £12k for the 2013/14 audit which is incorporated in the note 5.1 figure.

5.3 Reservoir operating agreements

Expenditure under reservoir operating agreements includes two components. The first and smallest component is reimbursement to water companies of their net costs of operating certain reservoirs, after deducting any income generated from hydro-electric power. The second element represents annual payments fixed at the time of the related agreements (generally in 1989 upon privatisation of water companies) as compensation for a return on reservoir assets and indexed annually by RPI.

5.4 Losses and special payments

Welsh Government's Managing Public Money rules require disclosure of losses and special payments by category, type and value where they exceed £300,000 in total and for any individual items above £300,000.

Individual losses of more than £300k were:

- Write-off of £311k incurred on the design of Tryweryn Salmon Centre by Environment Agency Wales.
- Write-off of expenditure of £455k on the Communities and Nature project.
- Write-off £626k for assets which could not be verified.

Losses and special payments by category

Category or type of loss	Number	£'000
Write-off of irrecoverable debts	38	187
Write-off in respect of Communities and Nature Project	1	455
Assets written off	3	320
Other losses (cash losses, fruitless payments, unenforceable claims, special payments or gifts)	20	178
Write-offs following 2014-15 asset verification	145	626
Total	<u>207</u>	<u>1,766</u>

6. Income analysis

	to 31 March 2015 £'000	to 31 March 2014 £'000
Abstraction charges	20,434	19,379
EPR water quality	6,523	7,015
EPR installations	3,028	2,912
EPR waste	2,432	2,348
Fishing licences	1,468	1,566
Nuclear regulation	1,336	568
Hazardous waste	981	1,013
Other environmental protection charges	917	220
Water resources rechargeable works	453	0
Emissions trading and carbon reduction commitment	271	302
Marine licensing	184	412
Income from fees and charges	<u>38,027</u>	<u>35,734</u>
Timber income	16,336	12,985
Renewable energy income	7,522	4,750
Income from estates	2,512	2,173
Provision of information/services	1,061	1,205
Internal drainage board income	463	348
Legal costs recovered	246	412
Grant income	207	906
Income from Proceeds of Crime Act	222	54
Dee Income	103	0
Laboratory income	30	294
Flood risk consents	9	17
Miscellaneous income	179	60
Income from other activities	<u>28,890</u>	<u>23,204</u>
Total income from activities	<u>66,917</u>	<u>58,938</u>
EU income+	2,080	6,200
Interest receivable	41	9
Insurance receipts	2	129
EU income on behalf of third parties	0	3,426
Other income	<u>2,123</u>	<u>9,764</u>
Total income	<u>69,040</u>	<u>68,702</u>

EPR = Environmental Permitting Regulations

+ Including income claimed via Welsh European Funding Office (WEFO) or from the Welsh Government for European funded projects.

6.1 Analysis of fees and charges

Year ending 31 March 2015	Income billed £'000	Expenditure £'000	Surplus/ (Deficit) £'000
Abstraction charges	20,225	20,434	(209)
Water resources rechargeable works	453	453	0
Fishing licences	1,468	1,468	0
EPR water quality	6,562	6,523	39
EPR installations	2,946	2,939	7
EPR waste	2,319	2,432	(113)
Hazardous waste	1,101	981	120
Emissions trading and carbon reduction commitment	271	271	0
Nuclear regulation	1,600	1,336	264
Marine licences	184	499	(315)
Other environmental protection charges	828	917	(89)
Total	<u>37,957</u>	<u>38,253</u>	<u>(296)</u>

The above table relates to fees and charges income and is shown in line with our accounting policy for deferred and accrued income within note 1.13. The note has been restated since the prior year to align more closely with the categories disclosed in note 6. Income collected differs from income reported in note 6 due to the policy disclosed in note 1.13. The cumulative surpluses and deficits are included in accrued and deferred income in notes 12 and 14 respectively.

Costs funded by grant-in-aid have been excluded from the table above, except for fishing and marine licenses where the net cost after charges is funded by grant-in-aid. The above table does not include the effect of IAS 19 pension adjustments as these costs/benefits are not passed on to charge payers. The financial objective is full cost recovery taking one year with another, based on all costs including current cost depreciation and a rate of return on relevant assets and other notional costs where appropriate. Accrued and deferred income balances are recognised on the basis of surpluses and deficits where they are recoverable over a reasonable period of time.

The key activities of each area are listed below:

- Abstraction charges – charging for businesses using water abstraction from rivers or groundwater, the income reported includes other elements of water resources income.
- Water resources rechargeable works - income derived not through abstraction billing itself, but invoiced separately to recover NRW water resources effort on the ground, such as operational costs in the Upper Severn catchment (on the Welsh side of the Boundary), which falls under Environment Agency jurisdiction.

- Fishing licences – charging individuals for licences to fish.
- EPR water quality – charging for discharges from businesses into the environment.
- EPR installations – permitting to control and minimize pollution from industrial activities
- EPR waste – Waste Management Licensing and exemptions.
- Emissions trading and carbon reduction commitment – regulation of businesses under EU schemes.
- Nuclear regulation – regulation of nuclear and non-nuclear sites, and nuclear new build sites.
- Marine licences – charging individuals for boat licences.
- Other environmental protection – licensing for registration of waste carriers and brokers, transfrontier shipments, producer responsibility licensing for Waste Electronic and Electrical Equipment, end of life vehicles, polychlorinated biphenyls and regulation of businesses under such schemes as Control of Major Accident Hazards.

Comparative figures for 2013/14

	Income billed	Expenditure	Surplus/ (Deficit)
	£'000	£'000	£'000
Abstraction charges	19,583	19,379	204
Fishing licences	1,566	1,220	346
EPR water quality	6,524	7,015	(491)
EPR installations	2,556	2,912	(356)
EPR waste	2,583	2,348	235
Hazardous waste	1,052	1,013	39
Emissions trading and carbon reduction commitment	299	302	(3)
Nuclear regulation	809	568	241
Marine licences	412	545	(133)
Marine licences	812	220	592
Total	<u>36,196</u>	<u>35,522</u>	<u>674</u>

7. Tangible non-current assets

7.1 Property Plant and Equipment (PPE)

	Forest estate	Other land	Buildings	Plant and machinery	Information technology	Operational structures	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2014	495,112	39,442	18,897	23,242	3,327	52,859	11,401	644,280
Adjustment to opening balance	0	(8)	0	(6)	0	0	(1)	(15)
Additions from verification	0	160	0	0	0	0	0	160
Additions	0	73	0	1,077	4,059	140	2,108	7,457
Assets commissioned in year	0	8	0	851	6,509	2,908	(10,276)	0
Asset review adjustments and write-offs	0	(39)	(142)	(1,099)	(112)	(405)	0	(1,797)
Prior year costs expensed	0	(129)	0	0	0	(75)	(189)	(393)
Disposals	(9)	(53)	0	(243)	0	(45)	(18)	(368)
Reclassified as Held for Sale	(9)	(969)	0	0	0	0	0	(978)
Fellings	(5,200)	0	0	0	0	0	0	(5,200)
Indexation	34,403	1,361	1,045	(75)	138	4,612	0	41,484
Reclassification	0	(189)	1,081	9	(9)	(1,085)	0	(193)
At 31 March 2015	<u>524,297</u>	<u>39,657</u>	<u>20,881</u>	<u>23,756</u>	<u>13,912</u>	<u>58,909</u>	<u>3,025</u>	<u>684,437</u>
Depreciation								
At 1 April 2014	0	0	4,157	14,820	2,257	12,507	0	33,741
Adjustment to opening balance	0	0	0	(6)	0	0	0	(6)
Charged in year	0	0	681	2,545	1,125	1,636	0	5,987
Asset review adjustments and write-offs	0	0	(142)	(869)	(108)	(89)	0	(1,208)
Disposals	0	0	0	(199)	0	(9)	0	(208)
Indexation	0	0	217	(46)	25	1,035	0	1,231
Reclassification	0	0	407	0	0	(407)	0	0
At 31 March 2015	<u>0</u>	<u>0</u>	<u>5,320</u>	<u>16,245</u>	<u>3,299</u>	<u>14,673</u>	<u>0</u>	<u>39,537</u>
Carrying amount at 1 April 2014	<u>495,112</u>	<u>39,442</u>	<u>14,740</u>	<u>8,422</u>	<u>1,070</u>	<u>40,352</u>	<u>11,401</u>	<u>610,539</u>
Carrying amount at 31 March 2015	<u>524,297</u>	<u>39,657</u>	<u>15,561</u>	<u>7,511</u>	<u>10,613</u>	<u>44,236</u>	<u>3,025</u>	<u>644,900</u>
Asset Financing								
Owned	508,915	39,657	15,561	6,519	10,613	44,236	3,025	628,526
Leased	15,382	0	0	992	0	0	0	16,374
Carrying amount at 31 March 2015	<u>524,297</u>	<u>39,657</u>	<u>15,561</u>	<u>7,511</u>	<u>10,613</u>	<u>44,236</u>	<u>3,025</u>	<u>644,900</u>

Buildings include dwellings with a carrying amount of £416k. Our other buildings are offices and workbases.

Comparative figures for period to 31 March 2014

	Forest estate	Other land	Buildings	Plant and machinery	Information technology	Operational structures	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 19 July 2012	0	0	0	0	0	0	0	0
Transfer of assets	440,126	42,383	15,901	25,595	4,089	47,863	7,214	583,171
Adjustment to transferred balance	0	(225)	(965)	(895)	0	0	0	(2,085)
Harmonisation of policies	0	0	0	(533)	(1,212)	(7)	0	(1,752)
Additions	75	0	25	416	1,010	118	9,369	11,013
Assets commissioned in year	0	78	1,665	567	0	2,872	(5,182)	0
Disposals	0	0	0	(2,085)	(525)	0	0	(2,610)
Reclassified as Held for Sale	(12)	(64)	(403)	0	0	0	0	(479)
Fellings	(5,132)	0	0	0	0	0	0	(5,132)
Revaluation to Reserve	60,055	(2,730)	2,674	177	5	2,013	0	62,194
Indexation (SoCNE)	0	0	0	0	(40)	0	0	(40)
At 31 March 2014	<u>495,112</u>	<u>39,442</u>	<u>18,897</u>	<u>23,242</u>	<u>3,327</u>	<u>52,859</u>	<u>11,401</u>	<u>644,280</u>
Depreciation								
At 19 July 2012	0	0	0	0	0	0	0	0
Transfer of assets	0	11	3,456	15,060	3,411	9,389	0	31,327
Adjustment to transferred balance	0	(12)	(235)	(535)	0	0	0	(782)
Harmonisation of policies	0	0	0	(490)	(1,054)	0	0	(1,544)
Charged in year	0	0	729	2,664	441	2,224	0	6,058
Disposals	0	0	0	(1,800)	(521)	0	0	(2,321)
Reclassified as Held for Sale	0	0	(279)	0	0	0	0	(279)
Impaired Reversal on Disposal	0	0	0	(115)	0	0	0	(115)
Revaluation to Reserve	0	1	189	27	4	894	0	1,115
Indexation (SoCNE)	0	0	297	2	(24)	0	0	275
Impairment	0	0	0	7	0	0	0	7
At 31 March 2014	<u>0</u>	<u>0</u>	<u>4,157</u>	<u>14,820</u>	<u>2,257</u>	<u>12,507</u>	<u>0</u>	<u>33,741</u>
Carrying amount at 19 July 2012	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Carrying amount at 31 March 2014	<u>495,112</u>	<u>39,442</u>	<u>14,740</u>	<u>8,422</u>	<u>1,070</u>	<u>40,352</u>	<u>11,401</u>	<u>610,539</u>
Asset Financing								
Owned	495,112	39,442	14,740	7,190	1,070	40,352	11,401	609,307
Leased	0	0	0	1,232	0	0	0	1,232
Carrying amount at 31 March 2015	<u>495,112</u>	<u>39,442</u>	<u>14,740</u>	<u>8,422</u>	<u>1,070</u>	<u>40,352</u>	<u>11,401</u>	<u>610,539</u>

7.2 Heritage assets

	£'000
Cost	
Balance at 1 April 2014	6,432
Additions	0
At 31 March 2015	<u>6,432</u>
Carrying amount at 1 April 2014	<u>6,432</u>
Carrying amount at 31 March 2015	<u>6,432</u>
Asset financing	
Owned	6,432
Carrying amount at 31 March 2015	<u>6,432</u>
Comparative figures for period to 31 March 2014	
At 19 July 2012	0
Transfer of assets	6,414
Additions	18
At 31 March 2014	<u>6,432</u>
Asset financing	
Owned	6,432
Carrying amount at 31 March 2014	<u>6,432</u>

Land owned by Natural Resources Wales in designated conservation areas and held to support of increasing knowledge, understanding and appreciation of the Welsh natural environment has been classified as non-operational heritage assets. This land is held for conservation and for sustainable public use. Under the FReM interpretation of IAS 16 (Property, Plant and Equipment) these assets have been capitalised at cost. Our accounting policy on heritage assets is shown in Note 1.7.1.

As at 31 March 2015 Natural Resources Wales has 76 National Nature Reserves (NNRs) and 1 Marine Nature Reserve (MNR) declared under several categories: 41 NNRs are managed by Natural Resources Wales; 19 are managed by Natural Resources Wales in partnership; a further 16 are managed by third parties. Natural Resources Wales also has 9 non-NNR landholdings (some pending declaration).

In 2014/15 Natural Resources Wales was the body responsible for declaring NNRs in Wales. NNRs may be declared in three ways (all may apply on any given NNR):

1. Land owned or leased by Natural Resources Wales may be declared under Section 19 of the National Parks and Access to the Countryside Act, 1949.
2. Through an agreement with the owner, lessee or occupier of the land – a Section 16 Agreement or Nature Reserve Agreement (NRA).
3. Under Section 35(1) of the Wildlife and Countryside Act, 1981 (as amended, 1985) which allows for land owned and managed as a nature reserve by other approved bodies to be declared as an NNR, without the need for an NRA.

31 March 2015
Hectares

Declared NNR/MNRs:

Owned by Natural Resources Wales	10,416
Leased by Natural Resources Wales	7,463
Section 16 agreements	11,096
Section 35 agreements	2,882
Total	<u>31,857</u>

Undeclared landholdings/non NNR sites:

Owned by Natural Resources Wales	491
Leased by Natural Resources Wales	32
Total	<u>523</u>

During the year no heritage asset land was purchased and no undeclared land was declared.

Natural Resources Wales's policy for the acquisition, preservation, management and disposal of heritage assets

Acquisition

If and when, whole or sections of, declared NNRs become available for land purchase Natural Resources Wales's board will consider the merits of purchase and/or may encourage partners/other approved bodies to do so, and may offer assistance through grants.

Preservation/management

All NNRs are managed in accordance with an approved management plan, which include conservation objectives from all recognised features of interest and identifies necessary projects and work programmes. The plans are reviewed periodically and the necessary implementation of the work identified in plans checked by Natural Resources Wales's Designated and Access Sites Planning Team through a rolling programme of views/environmental audits.

Disposal

A full review of the NNR series in Wales is carried out at least every five years to ensure that all reserves continue to contribute significantly to Natural Resources Wales's corporate vision for the NNR series. Where they fail to do so, necessary remedies will be identified and/or a recommendation made to management that a given NNR be dedeclared.

Access

Natural Resources Wales have an agreed access policy for NNRs which aims to encourage sustainable public use.

The following policies will be applied to all the NNRs that Natural Resources Wales manage:

Natural Resources Wales will endeavour to declare all land in Natural Resources Wales ownership and, whenever possible, land in Natural Resources Wales's control, as 'dedicated land' under the Countryside Rights of Way (CRoW) Act.

- In all cases Natural Resources Wales will consult with local communities and other stakeholders before proceeding with dedication.
- For land under Natural Resources Wales control, for example, lease or agreements, Natural Resources Wales will consult with and seek the full agreement of all owners and occupiers before proceeding with dedication.

- Whenever necessary, access restrictions will be applied to sites, or parts of sites, where such restrictions are essential for the protection of the conservation features.

Natural Resources Wales will encourage the sustainable public use of National Nature Reserves in Wales in so far as such use:

- Is consistent with Natural Resources Wales's duty to maintain or restore the nature conservation and geological features to Favourable Conservation Status.
- Does not expose visitors or staff, including contractors, to any significant hazards.

All legitimate and lawful activities will be permitted in so far as these activities:

- Are consistent with Natural Resources Wales's duty to maintain or restore the nature conservation and geological features to Favourable Conservation Status.
- Do not expose visitors or staff, including contractors, to any significant hazards.
- Do not diminish the enjoyment of other visitors to the site.

7.3 Biological Assets

Non-current biological assets comprise timber.

Natural Resources Wales's revaluation policy for biological assets is described in Note 1.7 above. The apportionment of trees between biological assets and property, plant and equipment was carried out by Natural Resources Wales staff using the judgements and estimates outlined in Note 1.7.2.

Movements during the period were as follows:

	£'000
Balance at 1 April 2014	100,051
Fellings	(1,868)
Disposals and transfer to non-current assets held for sale	(3)
Gains and losses arising from changes in fair values	<u>19,701</u>
At 31 March 2015	<u>117,881</u>
Comparative figures for period to 31 March 2014	
At 19 July 2012	0
Transfer of Assets	79,589
Fellings	(1,844)
Transfer to non-current assets held for sale	(2)
Gains and losses arising from changes in fair values	<u>22,308</u>
At 31 March 2014	<u>100,051</u>

8. Intangible assets

	Software Licences £'000	Other Licences £'000	Software Development Expenditure £'000	Website £'000	Assets under construction £'000	Total £'000
Cost or valuation						
At 1 April 2014	2,608	2,045	4,803	0	1,801	11,257
Additions	1,075	2	0	39	1,958	3,074
Assets commissioned in year	2,124	249	0	116	(2,489)	0
Asset review adjustments and write-offs	(937)	(23)	(487)	0	0	(1,447)
Prior year costs expensed	0	0	0	0	(408)	(408)
Indexation	260	141	238	10	0	649
Reclassification	0	193	0	0	0	193
At 31 March 2015	5,130	2,607	4,554	165	862	13,318
Amortisation						
At 1 April 2014	2,038	0	2,492	0	0	4,530
Charged in year	351	26	847	0	0	1,224
Asset review adjustments and write-offs	(937)	0	(155)	0	0	(1,092)
Indexation	57	2	200	0	0	259
At 31 March 2015	1,509	28	3,384	0	0	4,921
Carrying Amount at 1 April 2014	570	2,045	2,311	0	1,801	6,727
Carrying Amount at 31 March 2015	3,621	2,579	1,170	165	862	8,397
Asset Financing						
Owned	3,621	2,579	1,170	165	862	8,397
Carrying Amount at 31 March 2015	3,621	2,579	1,170	165	862	8,397

Comparatives for 2013/14

	Software Licences £'000	Other Licences £'000	Software Development Expenditure £'000	Web Site £'000	Assets under construction £'000	Total £'000
Cost or valuation						
At 19 July 2012	0	0	0	0	0	0
Transfer of assets	2,678	2,205	4,965	0	126	9,974
Adjustment to transferred balance	9	0	0	0	0	9
Harmonisation of policies	(104)	(190)	0	0	0	(294)
Additions	89	33	0	0	1,787	1,909
Assets commissioned in year	68	0	44	0	(112)	0
Disposals	(53)	0	0	0	0	(53)
Indexation (SoCNE)	(48)	(3)	(3)	0	0	(54)
Revaluation reserve	(31)	0	(203)	0	0	(234)
At 31 March 2014	2,608	2,045	4,803	0	1,801	11,257
Amortisation						
At 19 July 2012	0	0	0	0	0	0
Transfer of assets	1,922	0	1,981	0	0	3,903
Adjustment to transferred balance	8	0	1	0	0	9
Harmonisation of policies	(103)	0	0	0	0	(103)
Charged in year	312	0	554	0	0	866
Disposals	(53)	0	0	0	0	(53)
Indexation (SoCNE)	(25)	0	0	0	0	(25)
Revaluation reserve	(23)	0	(44)	0	0	(67)
At 31 March 2014	2,038	0	2,492	0	0	4,530
Carrying Amount at 19 July 2012	0	0	0	0	0	0
Carrying Amount at 31 March 2014	570	2,045	2,311	0	1,801	6,727
Asset Financing						
Owned	570	2,045	2,311	0	1,801	6,727
Carrying Amount at 31 March 2014	570	2,045	2,311	0	1,801	6,727

9. Financial assets, liabilities and instruments

9.1 Available-for-sale financial assets

	£'000
Brought forward at 1 April 2014	260
Revaluation	<u>(40)</u>
At 31 March 2015	<u>220</u>

Available-for-sale financial assets is NRW's 20% share of the value of the property assets held by Forest Holidays LLP for Beddgelert Campsite in Snowdonia.

9.2 Financial liability

9.2.1 Operating lease.

A financial liability is created when payments made under an operating lease are adjusted to a straight line basis over the lease term.

	£'000
Brought forward at 1 April 2014	98
Additional financial liability during 2014/15	<u>31</u>
At 31 March 2015	<u>129</u>

9.2.2 Reservoir operating agreements

In 1989 the National Rivers Authority entered into a number of reservoir operating agreements with water companies, under section 126 of the Water Act 1989, re-enacted by section 20 of the Water Resources Act 1991.

These agreements contained 2 financial components. The first was for payment to the water companies of their operating costs for the reservoirs, net of income generated thereon by the companies, such as on hydroelectric power. The second was for fixed payments, indexed upwards annually based on the retail price index, which are payable in perpetuity. The terms of these agreements were negotiated between HM Government and the water companies and were made to enable privatisation to occur.

In 1996 the liabilities under these agreements were transferred to the Environment Agency, and on 1 April 2013 the liabilities to Dŵr Cymru Welsh Water were transferred to Natural Resources Wales.

The fixed component payable to Dŵr Cymru Welsh Water is accounted for as a financial liability. The financial liability represents the contractual liability Natural Resources Wales has to the water company. The full cost of reservoir operating agreements, including the elements that give rise to these financial liabilities, is recoverable under legislation through water resources abstraction licences. Dŵr Cymru Welsh Water, who receive payments for operating reservoirs, also pay the majority of the charges for water.

	£'000
Brought forward at 1 April 2014	39,844
At 31 March 2015	<u>39,844</u>

£5,189k was paid to Dŵr Cymru Welsh Water during 2014/15. (£5,072k in 2013/14)

Because the liabilities have been calculated on an amortised cost basis and as perpetuities, they will not change from year to year except in the unlikely event of an agreement ceasing. The agreements, and obligations to pay, will only cease if Dŵr Cymru Welsh Water cease to be the entity controlling the reservoirs.

Natural Resources Wales does not bear liquidity, credit or interest rate risk on these financial instruments.

9.3 Financial Instruments

Due to the largely non-trading nature of its activities and the way in which Welsh Government bodies are financed, Natural Resources Wales is not exposed to the degree of financial risk faced by many business entities.

Nature and extent of risks

Credit risk

The possibility that other parties might fail to pay amounts due. Some of Natural Resources Wales's customers and counterparties are other public sector organisations. There is no credit risk from these organisations. For those customers and counterparties that are not public sector organisations, Natural Resources Wales has policies and procedures in place to ensure credit risk is kept to a minimum.

Liquidity risk

The possibility that Natural Resources Wales might not have funds available to meet its commitments. Natural Resources Wales's resource requirements are mostly met by resources voted annually by the Welsh Government. A profiled resource requirement is agreed with Welsh Government annually and reviewed monthly, so that Natural Resources Wales is not exposed to significant liquidity risks.

Market risk

Natural Resources Wales has no powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing Natural Resources Wales in undertaking its activities.

Long term agreement risk

Natural Resources Wales has entered into long term agreements with the Welsh European Funding Office and with the European Union to deliver EU funded projects. Under these agreements Natural Resources Wales could be liable to repay agreed funding where European Auditors are not satisfied with how the funding has been utilised. This applies to work undertaken by Natural Resources Wales and also by our third sector partners. Systems and contracts have been put in place to ensure that this risk is minimised and is part of a continual assessment process.

Foreign Currency risk

This is the risk that Natural Resources Wales will suffer financial loss due to changes in exchange rates. Natural Resources Wales undertakes a small number of foreign currency transactions and is not exposed to significant exchange risk.

Interest rate risk

This is the risk that Natural Resources Wales will suffer financial loss due to interest rate fluctuation. Natural Resources Wales's financial assets and its financial liabilities carry nil or fixed rates of interest, therefore Natural Resources Wales is not exposed to significant interest rate risk.

Fair values

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value.

10. Assets held for sale

	31 March 2015 £'000	31 March 2014 £'000
Land	969	77
Buildings	0	124
Forest Estate	9	0
Biological assets	1	3
Total	<u>979</u>	<u>204</u>

The assets above have been presented as held for sale following the approval for sale by the management of NRW. The completion dates for sale are expected to be within the twelve months to 31 March 2016.

11. Inventories

	31 March 2015 £'000	31 March 2014 £'000
Timber stock	835	411
Total	<u>835</u>	<u>411</u>

12. Trade and other receivables

	31 March 2015 £'000	Restated 31 March 2014 £'000
Within one year		
Trade receivables	5,951	6,082
VAT receivable	3,102	5,523
Provision for doubtful debt	(355)	(782)
Prepayments	1,740	2,353
Accrued income	3,158	2,108
Accrued EU income	3,138	3,112
Deposit	211	140
Other receivables	384	654
Total due within one year	<u>17,329</u>	<u>19,190</u>
More than one year		
Other receivables	131	135
Total	<u>17,460</u>	<u>19,325</u>
Analysis of receivables		
Central Government Bodies	7,938	7,694
Local Authorities	13	32
Bodies external to Government	9,509	11,599
Total	<u>17,460</u>	<u>19,325</u>

Implementation of the new finance system has enabled us to separate prepayments from accrued income for this note. 2013/14 figures have been restated to correspond.

13. Cash and cash equivalents

	31 March 2015	31 March 2014
	£'000	£'000
Opening balance	15,111	0
Cash transferred	0	10,314
Net change in cash and cash equivalent balances	11,687	4,797
Closing Balance	<u>26,798</u>	<u>15,111</u>

The following balances were held at 31 March

Government Banking Service	32,075	14,520
Barclays Bank	(5,278)	589
Cash in hand	1	2
Closing Balance	<u>26,798</u>	<u>15,111</u>

14. Trade and other payables

	31 March 2015	Restated 31 March 2014
	£'000	£'000
Within one year		
Taxation and social security	0	15
Trade payables	1,237	2,075
Trade payables accrual	13,956	5,244
Deferred income	5,511	5,250
Holiday pay	1,765	1,683
Finance leases	255	244
Other payables	55	39
Customer deposits and receipts in advance	268	304
Total due within one year	<u>23,047</u>	<u>14,854</u>
More than one year		
Finance leases	964	935
Deferred income	496	712
Bonds and deposits	1,404	1,211
Total due after one year	<u>2,864</u>	<u>2,858</u>
Total	<u>25,911</u>	<u>17,712</u>
Analysis of payables		
Central Government Bodies	9,678	3,269
Local Authorities	523	72
Bodies external to Government	15,710	14,371
Total	<u>25,911</u>	<u>17,712</u>

Implementation of the new finance system has enabled us to reclassify other payables for this note. 2013/14 figures have been restated to correspond.

15. Provisions

	Early Departure		Total
	Costs	Other	
	£'000	£'000	£'000
Balance at 1 April 2014	625	1,469	2,094
Additional provision provided in the year	1	1,385	1,386
Provision released in year	(5)	0	(5)
Provisions used in the year	(215)	(314)	(529)
Increase in provision due to lower discount rate	2	0	2
Unwinding of discount	7	0	7
Balance at 31 March 2015	<u>415</u>	<u>2,540</u>	<u>2,955</u>

	Early Departure		Total
	Costs	Other	
	£'000	£'000	£'000
Estimated timing of discounted cash flows			
Due within one year	154	2,540	2,694
Due between one and five years	261	0	261
Due after more than five years	0	0	0
Total	<u>415</u>	<u>2,540</u>	<u>2,955</u>

Provision for early departure costs consist of annual compensation payments to former staff who left under legacy bodies' early retirement programmes. These payments are indexed by the consumer price index (CPI) and continue until each individual reaches pensionable age (60). The provision represents the cost to Natural Resources Wales, using an indexation rate of 1.2% (2013/14, 2.7%), and discounted by the HM Treasury discount rate of 1.2% (2013/14, 1.8%)

Other provisions include £950k of grant offers to fund work to be undertaken up to 31 March 2015 but which will not to be claimed until June 2015, £30k for dilapidations on various buildings being released under NRW's Accommodation Strategy and £316k for other claims. It is expected that all of these will be paid within the next twelve months. A provision has been made for penalties levied on NRW of £1,201k for the Communitas and Nature project and £42k for the Salmon for Tomorrow project, both of which which we are contesting.

The cost of additional provision and changes in discount for the early departure costs provision are included in Note 3.1. The costs of the additional other provisions are shown in Note 5. The total provisions reported above are in the Statement of Financial Position under liabilities. The additional provision for bad debt, also shown in Note 5, is included in total provision for bad debt in Note 12 and included in the Statement of Financial Position under receivables.

16. Capital commitments

	31 March 2015	31 March 2014
	£'000	£'000
Property Plant & Equipment		
Plant and machinery	34	30
Transport equipment	138	20
IT Equipment	154	0
Operational structures	544	480
Total	<u>870</u>	<u>530</u>
Intangible Assets		
Information technology - software licences	56	105
Information technology - software development	805	900
Total	<u>861</u>	<u>1,005</u>

17. Commitments under leases

17.1 Operating leases

Total future minimum total lease payments under operating leases are given in the table below for each of the following periods.

31 March 2015	Land	Buildings	Vehicles	Total
Obligations under operating leases are:	£'000	£'000	£'000	£'000
Not later than one year	115	1,700	1,204	3,019
Later than one year and not later than five years	386	5,221	918	6,525
Later than five years	1,756	1,829	0	3,585
Total value of obligations	<u>2,257</u>	<u>8,750</u>	<u>2,122</u>	<u>13,129</u>

31 March 2014	Land	Buildings	Vehicles	Total
Obligations under operating leases are:	£'000	£'000	£'000	£'000
Not later than one year	104	1,761	1,215	3,080
Later than one year and not later than five years	342	5,964	1,875	8,181
Later than five years	1,665	2,065	0	3,730
Total value of obligations	<u>2,111</u>	<u>9,790</u>	<u>3,090</u>	<u>14,991</u>

17.2 Finance leases

31 March 2015	Land	Vehicles	Total
Obligations under finance leases are:	£'000	£'000	£'000
Not later than one year	13	243	256
Later than one year and not later than five years	38	716	754
Later than five years	209	0	209
Total value of obligations	<u>260</u>	<u>959</u>	<u>1,219</u>

31 March 2014	Land	Vehicles	Total
Obligations under finance leases are:	£'000	£'000	£'000
Not later than one year	13	232	245
Later than one year and not later than five years	38	688	726
Later than five years	209	0	209
Total value of obligations	<u>260</u>	<u>920</u>	<u>1,180</u>

18. Other financial commitments

NRW has entered into non-cancellable contracts (which are not leases or Public Finance Initiative (PFI) contracts) for Better Woodlands for Wales scheme, grants, purchases, and management agreements. The total payments to which NRW is committed at 31 March 2015 are:

	31 March 2015	31 March 2014
	£'000	£'000
Not later than one year	34,878	35,769
Later than one year and not later than five years	19,081	5,940
Later than five years	708	833
Total	<u>54,667</u>	<u>42,542</u>

19. Contingent liabilities

NRW has the following contingent liabilities:

	31 March 2015	31 March 2014
	£'000	£'000
Public liability	30	66
Contractors' claims	250	970
Total	<u>280</u>	<u>1,036</u>

20. Events after the end of the reporting period

On 1st April 2015, the Lower Wye, Powysland and Caldicot and Wentlooge Internal Drainage Boards' functions, assets and staff will transfer to Natural Resources Wales. An Internal Drainage Board is a local public authority that manages water levels across low lying districts. Natural Resources Wales will be the board running these three Welsh internal drainage districts, along with our other eleven internal drainage districts located in North West Wales which it already runs.

Our Laboratory Service provides key services for Natural Resources Wales (NRW) that allows us to effectively protect and enhance our natural resources. It employs 38 highly skilled members of staff in its current base at Penyfai Laboratory in Llanelli. Without this facility and these highly skilled jobs, NRW would have to outsource these services, largely outside of Wales. The current building is no longer fit for purpose and the cost of mitigation and investment in structural changes would not provide value for public money.

Over the last year, we have undertaken a thorough options appraisal regarding future premises for our laboratory service. In April 2015, Natural Resources Wales made the decision to move the base from Penyfai Laboratory in Llanelli and intend to move in April 2016. Our ambition is to develop a first class and 'future proof' laboratory service that has the potential to safeguard our existing highly trained staff and create more employment for South West Wales.

21. Pension obligations

Natural Resources Wales is a member of two pension schemes, the Principal Civil Service Pension Scheme (PCSPS) and the Local Government Pension Scheme (LGPS).

Principal Civil Service Pension Scheme

PCSPS (known as CSPS from 1st April 2015) is open to new employees.

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for classic and 3.5% and 8.85% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

New Career Average pension arrangements will be introduced from 1st April 2015 and the majority of classic, premium, classic plus and nuvos members will join the new scheme. Further details of this new scheme are available at <http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/>

Local Government Pension Scheme (LGPS)

On 1st April 2013, the pension activities of Environment Agency Wales (EAW) were transferred to Natural Resources Wales pursuant to the Natural Resources Body for Wales Transfer Scheme 2013 under the Public Bodies Act 2011. The employees of Natural Resources Wales that were employees of EAW remain members of the Environment Agency Pension Fund (EAPF) as an admitted body.

EAPF operates a statutory, defined benefit pension scheme, administered in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, the Local Government Pension Scheme (Administration) Regulations 2008 and the Local Government Pension Scheme (Transitional Provisions) Regulations 2008. It is contracted out of the State Second Pension. Further details on the pension fund including its annual report and accounts, are on the EAPF website, www.eapf.org.uk.

The total pension charge for Natural Resources Wales was £7.323 million. The pension charge relating to the scheme was assessed in accordance with the advice of an independent qualified actuary using the projected unit method of valuation to calculate the service costs.

The latest triennial actuarial valuation of the EAPF was at 31 March 2013. The assets taken at market value (£2.1 billion) were sufficient to cover 90% of the value of liabilities in respect of past service benefits which had accrued to members. Natural Resources Wales has accepted the independent actuary's recommendation in respect of future employer contributions.

The annual report and financial statements for the EAPF report that that it had sufficient assets to meet 93% of its expected future liabilities at 31 March 2015 on an ongoing funding basis. Natural Resources Wales's share of the EAPF's liabilities as reported in these financial statements is calculated using different actuarial assumptions, required by IAS19, to those used in the EAPF's annual report. This leads to a different funding level to that reported by the EAPF.

The main difference in assumption is the discount rate used to value pension liabilities. The EAPF discount rate is based on long term UK government bond yields and assumes a level of future asset outperformance by the bonds owned by the EAPF. The discount rate used in these financial statements, as required by IAS19 is based on high quality corporate bond yields, with no additional asset performance assumption. The real terms discount rate in these financial statements is therefore 0.6% lower than the rate used in the EAPF financial statements. This lower rate results in a higher value being placed on liabilities. The sensitivity analysis in note 21.4 indicates the sensitivity of the fund liabilities to a difference in discount rate.

A number of assumptions are made as part of the actuarial valuation process. The prudent actuarial assumptions used do not represent a view on what future pay movements may be. It has been assumed that present and future pensions in payment will increase at the rate of 2.1% per annum. The estimated contribution payable by Natural Resources Wales, excluding any discretionary lump sum payments, for the year to 31 March 2016 will be approximately £6.492 million.

The notes below set out the disclosure requirements of IAS 19 for the current year in relation to Natural Resources Wales's participation in the EAPF. All calculations have been made by a qualified independent actuary and were based on the most recent actuarial valuation of the fund at 31 March 2013 updated to 31 March 2015. The assumptions underlying the calculation of a net liability at 31 March 2015 are only used for accounting purposes as required under IAS 19. There is no requirement for the reported net liability to be met as a lump sum. Cash contributions paid by Natural Resources Wales to the pension fund will continue to be set by reference to assumptions agreed at each triennial actuarial valuation of the scheme.

21.1 Financial and longevity assumptions

Period Ended	31 Mar 2015	31 Mar 2014
	% p.a.	% p.a.
Pension Increase Rate	2.10%	2.50%
Salary Increase Rate	3.50%	3.80%
Discount Rate	3.20%	4.30%

Average future life expectancy at 65	Males	Females
Current Pensioners	22.6 years	24.5 years
Future Pensioners (People aged 65 in 20 years)	24.7 years	27.0 years

21.2 Fair Value of Assets for the year ended 31 March 2015

Asset Category	31 March 2015 (£000)				
	Quoted	Unquoted	Undetermined	Total	%
Equity Securities:					
Common Stock	81,834	648	0	82,483	32%
Preferred Stock	0	0	0	0	0%
Rights/Warrants	3	0	0	3	0%
Other Equity Assets	361	0	0	361	0%
Debt Securities:					
UK Government Bonds	0	345	25,079	25,424	10%
Corporate Bonds	0	22,148	0	22,148	9%
Other	0	1,427	0	1,427	1%
Pooled Investment Vehicles:					
Equities	0	0	63,919	63,919	25%
Bonds	1,082	0	24,813	25,896	10%
Funds - Common Stock	1,178	0	10,178	11,356	4%
Funds - Real Estate	0	1,580	7,881	9,461	4%
Funds - Venture Capital	0	241	0	241	0%
Venture Capital and Partnerships:					
Partnerships & Real Estate	0	10,366	0	10,366	4%
Other Investment:					
Stapled Securities	342	0	0	342	0%
Derivative Contracts:					
Equity Derivatives - Futures	1	0	0	1	0%
Forward FX Contracts	0	0	(191)	(191)	0%
Cash and Cash equivalents					
All	0	0	5,012	5,012	2%
Totals	84,803	36,755	136,691	258,249	100%

21.3 Change in fair value of plan assets, defined benefit obligation and net liability

Period ended 31 March 2015	Assets	Obligations	Net (liability)/ asset
	£(000s)	£(000s)	£(000s)
Fair value of employer assets	222,643	0	222,643
Present value of funded liabilities	0	271,843	(271,843)
Present value of unfunded liabilities	0	0	0
Opening Position as at 31 March 2014	222,643	271,843	(49,200)
Service cost			
- Current service cost*	0	6,479	(6,479)
- Past service cost (including curtailments)	0	844	(844)
- Effect of settlements	0	0	0
Total service cost	0	7,323	(7,323)
Net interest			
- Interest income on plan assets	9,608	0	9,608
- Interest cost on defined benefit obligation	0	11,724	(11,724)
- Impact of asset ceiling on net interest	0	0	0
Total net interest	9,608	11,724	(2,116)
Total defined benefit cost recognised in Profit or (Loss)	9,608	19,047	(9,439)
Cashflows			
- Plan participants' contributions	2,155	2,155	0
- Employer contributions	7,313	0	7,313
- Contributions in respect of unfunded benefits	0	0	0
- Benefits paid	(7,855)	(7,855)	0
- Unfunded benefits paid	0	0	0
Expected closing position	233,864	285,190	(51,326)
Remeasurements			
- Change in demographic assumptions	0	0	0
- Change in financial assumptions	0	50,745	(50,745)
- Other experience	0	(1,582)	1,582
- Return on assets excluding amounts included in net interest	24,385	0	24,385
- Changes in asset ceiling			0
Total remeasurements recognised in Other Comprehensive Income (OCI)	24,385	49,163	(24,778)
Exchange differences	0	0	0
Effect of business combinations and disposals	0	0	0
Fair value of employer assets	258,249	0	258,249
Present value of funded liabilities	0	334,353	(334,353)
Present value of unfunded liabilities	0	0	0
Closing position as at 31 March 2015	258,249	334,353	(76,104)

* The current service cost includes an allowance for administration expenses of 0.4% of payroll.

The LGPS pensions deficit has increased because the net discount rate (yield in high quality corporate bonds) has fallen significantly by around 1.1% since 31st March 2014. Over the same period, asset returns have been greater than expected but not sufficient to outweigh the increase in liability.

21.4 Sensitivity analysis

Change in assumptions at 31 March 2015:	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	12%	40,356
1 year increase in member life expectancy	3%	10,031
0.5% increase in the Salary Increase Rate	5%	15,748
0.5% increase in the Pension Increase Rate	7%	23,665

22. Related parties

Natural Resources Wales is a Sponsored Body of the Welsh Government, which is regarded as a related party. During the year NRW has had significant material transactions with the Welsh Government in the normal course of business (the grant-in-aid and grants received from WG during the year is reported in the Statement of Taxpayers Equity) and with other entities for which the Welsh Government is regarded as the parent department namely Welsh Local Authorities and National Parks.

In addition, NRW has had various material transactions with other government departments and other central government bodies. Most of these transactions have been with Department for Environment, Food and Rural Affairs (DEFRA), Environment Agency, Forestry Commission, HMRC and Natural England.

During the year NRW, in the normal course of its business, entered into the following transactions with the following organisations in which Board and Executive Members or other related parties had an interest. The Board and Executive Members have no direct involvement in the transactions with these related parties.

Organisation	Member	Nature of relationship	Total payments	Total income	Amount owed by NRW at 31 March 2015	Amount owed to NRW at 31 March 2015
			£'000	£'000	£'000	£'000
Aberystwyth University	Emyr Roberts	Fellow & Member of External Advisory Board Department Geography & Earth Services	60	4	0	0
All Wales Partnership of the Canal and River Trust in Wales	Ruth Hall	Member	35	0	0	0
Betsi Cadwaladr Health Board	Hywel Davies	Independent Board Member	0	6	0	0
Cardiff University	Ruth Hall Paul Williams's spouse	Governor Member	42	10	0	0
Defra - Joint Nature Conservation Committee (JNCC)	Lynda Warren Nigel Reader Peter Matthews	Member of JNCC Member of JNCC ARAC Member of JNCC	114	0	1	0
Glanusk Estate	Harry Legge-Bourke	Owner/Partner/ Trustee	5	0	0	0
Heritage Lottery Fund	Madeleine Havard	Committee for Wales member	0	46	0	0
Natural England	Nigel Reader	Non-Executive Board Member and Audit Committee Chair	108	0	0	0
Wildlife Trust of South and West Wales	Lynda Warren and spouse	Trustees	122	0	0	0

The Certificate and Report of the Auditor General for Wales to the National Assembly for Wales

I certify that I have audited the financial statements of Natural Resources Wales for the year ended 31 March 2015, under the Paragraph 23 of the Schedule to the Natural Resources Body for Wales (Establishment) Order 2012. These comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cashflows, Statement of Changes in Taxpayers Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report and the financial statements, in accordance with Paragraph 23 of the Schedule to the Natural Resources Body for Wales (Establishment) Order 2012 and directions made there under and for ensuring the regularity of financial transactions.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with applicable law and with International Standards on Auditing (UK and Ireland). These standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to Natural Resources Wales' circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by Natural Resources Wales; and
- the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities that govern them.

In addition, I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on Financial Statements

In my opinion the financial statements:

- give a true and fair view of the state of Natural Resources Wales' affairs as at 31 March 2015 and of its net operating costs, recognised gains and losses and cash flows for the year then ended; and
- have been properly prepared in accordance with Paragraph 23 of the Schedule to the Natural Resources Body for Wales (Establishment) Order 2012.

Opinion on Regularity

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Paragraph 23 of the Schedule to the Natural Resources Body for Wales (Establishment) Order 2012; and
- the information in the Annual Report is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- the Annual Governance Statement does not reflect compliance with HM Treasury guidance;
- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns;
- information specified by HM Treasury regarding the remuneration and other transactions is not disclosed; or
- I have not received all of the information and explanations I require for my audit.

Report

I have no observations to make on these financial statements.

Huw Vaughan Thomas
Auditor General for Wales
22 July 2015

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Annex 1 – Business Plan Dashboard

2014/15 report: 1st April 2014 - 31st March 2015

This dashboard reflects progress against measures and indicators from our wider performance framework (which is available on our website). It is used to provide a single page, 'at a glance', summary of performance in key areas.

We track performance for the items on this dashboard, and also review performance three times a year at open public sessions with our Board (in October, February and May).

Key  on target  nearly on target  not where we want to be  R/A/G not applicable.

Good Knowledge		
	Target	Actual achievement
We develop Wales' approach to integrated natural resource management	 Report learning from three integrated natural resource management trials (Dyfi, Rhondda, Tawe) to Welsh Government by March 2015.	We will now report learning from the trials to support scrutiny of the Environment Bill
We work with Welsh Government to develop funding mechanisms to support integrated natural resource management	 Funding round launched (August 2014) Funded projects agreed (March 2015)	Funding round launched (August 2014) Funded projects agreed (March 2015)
We work with Welsh Government to develop natural resources policy, including delivery of a State of Natural Resources report	 Develop interim report by November 2014 (first full report September 2016)	Interim report has now been developed
We review our monitoring strategy and apply recommendations to our operational work	 Review and implement our monitoring, analysis and reporting programme	Project governance has been finalised
We assess our abilities so that we are able to effectively engage with the public and share our technical advice and expertise with others or seek support where required	 Communications strategy signed off October 2014. Operate rolling customer insight programme	Communications strategy signed off October 2014. Rolling reports on technical advice provided
We develop our ability to better explain and communicate complex issues to a wide range of stakeholders	 Communications strategy signed off October 2014 and rolling customer insight programme providing reports	Communications strategy signed off October 2014. Rolling reports on technical advice provided
Good Environment		
	Target	Actual achievement
We ensure the sustainable management of land and water we manage	 Actions resolved arising from NNR and WGWE audit. Maintain UKWAS accreditation	Actions resolved and UKWAS accreditation maintained
We work with others to improve connectivity and restoration of priority habitats and their linkages as part of integrated natural resource management plans	 Complete Level 2 Connectivity mapping by December 2014	Level 2 mapping first draft completed for all habitats
We ensure climate change adaptation is embedded in all areas of our work	 Apply parts 1 & 2 of Welsh Government Climate Change Adaptation Guidance to our organisation by March 2015	Parts 1 & 2 of Welsh Government Climate Change Adaptation Guidance applied
We will play our part and work with others to halt biodiversity loss in order to help ensure that, by 2020, ecosystems are more resilient	 80% of our actions underway or complete	63% actions underway/complete from July work plan
We will develop our approach to pollinators	 Implement a programme of measures on NRW sites by 31 March 2015	We continue to manage NNRs for a range of wild pollinating species, improve the habitat value of the Public Forest Estate
The condition of features on sites improves	 Condition of features of marine, terrestrial and freshwater Natura 2000 sites	33% of marine, 24% of terrestrial, and 26% of freshwater features are in favourable condition
The water environment improves	 Compliance with good status under the Water Framework Directive	Compliance with good status under the Water Framework Directive = 37%
We manage outbreaks of plant health pests and diseases	 Implement control plans on the Welsh Government Woodland Estate	sites found to be positive and notices have been served on 417ha
We consider streamlined innovative approach	 Develop and support approaches that demonstrate innovation, collaboration and best practice	Approaches being supported including Greener Grangetown
We ensure accurate information on flood risk is available to the public and stakeholders	 Publish flood maps (in quarter one), capital and maintenance programmes (in quarter two)	Published flood maps (in quarter one), capital and maintenance programmes (in quarter two)

Good for people		Target	Actual achievement
We develop our Education Strategy to involve learning in, and about, the natural environment, plus linking to the curriculum and wider learning opportunities		Deliver final draft Strategy to the Board in November 2014	Approved at February Board Meeting
We work with others to improve local environmental quality, including for disadvantaged communities		Develop and launch programme working with others, linking with priorities of other stakeholders	Volunteering Programme drafted. Communities & Regeneration Enabling Plan approved
We develop and deliver our Access and Recreation Strategy along with our Marketing Framework		Recreation and Access Strategy and Action Plan published	Recreation and Access Strategy and Action Plan published
We implement initiatives for Welsh Government (Green Flag, Wales Coast Path, Rights of Way Improvement, Fly-tipping Action Wales and the waste data systems)		All (five) initiatives are implemented	Four green, one amber (amber: waste data systems programme)
We develop the new approach to Partnership Funding		Approach operational from April 2015	Approach operational from April 2015
We maintain high risk flood and coastal risk management assets, prioritising our efforts on those which counter the highest risks		Assets at target condition (99% for high risk)	Assets at target condition (99% for high risk)
We raise people's awareness of their flood risk and what actions they need to take		10,000 additional people have taken action to prepare for flood risk	18,884 additional people have taken action to prepare for flood risk
We deliver our Flood and Coastal Risk Management Capital Programme		500 properties [note: ~73,000 properties benefit from flood defences]	467 properties
We reduce the number of serious incidents, per sector, using a prioritised risk based approach		Reduce the number of serious incidents, per incident sector, year on year	16.5% (115 to 96) reduction in serious incidents from 2013/14 to 2014/15
Good for business		Target	Actual achievement
We develop our regulatory systems to streamline the service we provide for customers		Review charging schemes	2015/16 Charging Scheme published on our website (2nd April)
We fulfil our role as statutory consultee in responding to planning consultations		Respond to 90% consultations within agreed timescale	Responded to 81% consultations (annual average) within agreed timescale
We determine permits, licences and consents meeting the statutory determination or service level agreement period timescale		90% determined to timescale (statutory determination or service level agreement period)	90% determined to timescale (statutory or voluntary determination period)
We develop a single permitting, licensing and consenting service, based on common standards and processes		Plan and test in preparation for implementation in 2016/17	We have drafted an action plan for the development of the Permitting Service for delivery in 2015/16 onwards
We facilitate new business opportunities, including renewable energy generation, as well as recreation and tourism opportunities		Report new commercial activities taking place on our managed estate	Reported new commercial activities taking place on our managed estate
We support the wind energy programme and deliver our hydropower programme on land that we manage		Wind: Progressing 4 schemes Hydropower: 5 schemes constructed	Wind: Progressing 6 schemes Hydropower: 5 schemes enabled
We market timber from the Welsh Government woodland estate in accordance with our marketing strategy		Market 878,000m ³ over bark standing (including 332,000m ³ larch)	Marketed 869,166m ³ over bark standing (including 267,000m ³ larch)
We generate income from our enterprise activities		£16m	£17.7m

Good organisation		Target	Actual achievement
We provide efficient and effective business support and customer care to both staff and customers		All (four) underlying measures are on target	3 out of 4 underlying measures are on target
We plan and allocate resources to business priorities and achieve performance reporting that drives continuous improvements		Achieve business case benefits relating to the creation of Natural Resources Wales	£145M (91% complete)
We deliver our transition projects to help establish our standalone capability		Transition Projects to schedule	All projects are on schedule
We deliver procurement that achieves value for money, sustainability and facilitates opportunities for Welsh SMEs		Deliver procurement strategy and 'quick win' targets	Procurement strategy, and 'quick wins delivered'
We improve the health, safety and wellbeing of the workforce		Number of lost time incidents suffered by employees	Two lost time incidents suffered by employees
We deliver our accommodation strategy		Reduce number of sites to 64	We have reduced to 65 operational sites (9 disposed, 5 mothballed and being disposed).
We maintain ISO14001 accreditation for our environmental management and work towards being an exemplar in areas such as carbon use, waste and water		ISO14001 accreditation maintained Carbon footprint reduced by 5%	Maintained certification following external LRQA audits. Carbon footprint (9 month report) indicates 5% reduction is on track
We all have confidence in our collective success		7 (out of 10)	Staff survey completed in early 2015 giving a baseline engagement index of 48% which will provide scope for improvement in 2015/16

Annex 2 – Corporate Environmental Report

Introduction

Our organisation's purpose is to ensure that the natural resources of Wales are sustainably maintained, enhanced and used, now and in the future. We have made the commitment that sustainable development will be at the heart of all our business decisions. Over the coming years, we want to develop ourselves as an exemplar organisation with regards to sustainability and environmental management in Wales, especially in our management and use of carbon, waste, water and land.

Our focus during this year has been to reduce our carbon footprint, embed our Environmental Management System (EMS) into the culture of our organisation, integrate environmental, social and economic factors into our procurement activity and be an engaging and transparent organisation for our EMS stakeholders.

This report relates primarily to environmental sustainability (as distinct from wider sustainability actions or outcomes). Wider sustainability related reporting, can be found throughout our Annual Report & Accounts.

Summary of Performance

We have retained ISO14001 certification for our EMS, following independent external audits and verification. Our EMS¹ retained ISO14001 certification following independent external audits and verification by LRQA in September 2014 and March 2015. Having a recognised EMS allows us to demonstrate our own commitment to achieving the highest possible environmental standards as an organisation.

We have also retained woodland certification (the UK Woodland Assurance Standard) for the Welsh Government Woodland Estate we manage, following a full reassessment audit in July via Société Générale de Surveillance (SGS). This enables us to produce FSC/PEFC² certified timber from the Welsh Government Woodland Estate we manage.

Table 1: Corporate Environmental report summary table

Area	Units	Actual (2013/14 - Full year)	Actual 2014/15 (full year)	Change
Greenhouse gas emissions ³	Consumption tCO ₂ e)	7,301	7,164	Reduced
	Expenditure	3,323	3,345	Increased
Estate energy	Consumption (million kWh)	7.0	6.3	Reduced
	Expenditure (£k)	570	587	Increased
Estate waste	Consumption (tonnes)	400	420	Increased
	Expenditure (£k)	147	110	Reduced
Estate water	Consumption (m ³)	86,486	29,455	Reduced
	Expenditure (£k)	35	27	Reduced

¹ Our EMS is currently applicable to: "Activities and services associated with the sustainable management of the environment and natural resources of Wales, excluding forest operations, which is separately certified under UKWAS"

² Forest Stewardship Council (FSC). Programme for the Endorsement of Forest Certification (PEFC). As supported by our UK Woodland Assurance Standard (UKWAS) accreditation

³ (Scopes 1, 2 and 3 including air/rail travel and excluding outside of scopes emissions)

Table 1 reflects relative change for key areas in the last year. More detail around each can be found within the related sections of this report. In summary there has been:

- a 1.9% reduction in greenhouse gas emissions due in large part to a decrease in our direct (scope 1) emissions - which include fuel use in vehicles/machines we own
- a 10% reduction in energy use due in large part to decreased electricity and gas use at sites we occupy (the number of sites we occupy has been reduced by nine this year)
- a 5% increase in the amount of waste we handle following an increase in reported flytipping on the estate we manage
- a 66% decrease in the amount of water we use due to the highly variable water abstraction needs of the wetland habitat at Newport Wetlands National Nature Reserve.

We have targets in place relating to each of these areas in 2015/16 (as described in the next section).

Summary of Future Strategy

Over the next three years we intend to focus on

- Aiming to maintain our ISO14001 and UKWAS accreditations
- Cutting our carbon emissions and water use by 5% from 2014/15 levels, year on year
- Fulfilling our commitments under the Sustainable Development Charter, taking forward the provisions of the Well-being of Future Generations Bill and work towards becoming an acknowledged exemplar of sustainability
- Ensuring our procurement practices are open and transparent, supporting the delivery of economic, social and environmental priorities and that our contracts are appropriately accessible for SMEs, social businesses and larger scale enterprises helping to support the Welsh Government's Tackling Poverty Action Plan
- Investigating scope for distributed energy / small scale renewable developments on land we manage, taking a positive, risk-based approach
- Developing our approach to Integrated reporting including the delivery of our Business Case.

Next year we want to

- **reduce** our carbon footprint – and have set a target to Reduce Natural Resources Wales' carbon dioxide emissions from buildings, travel and water use by 5% based on 2014/15 data
- **establish** a baseline for waste monitoring, reporting and reduction targets - Measuring and reporting on all NRW waste streams (Office, recycle, operational and fly-tip waste) consistently
- **embed** our EMS into the culture of the organisation – and are developing an EMS awareness training presentation for delivery to all staff. We are also working to ensure the integration of environmental considerations within Directorate Delivery Plans.
- **integrate** environmental, social and economic factors into our procurement activity - Applying sustainability risk assessment (SRA) tool to new contracts over £25K
- **conform** to the new ISO14001:2015 standard - Integrating all remaining forestry operations (WSO, Civil and WHaM) within the scope of the EMS.

Greenhouse Gas Emissions

Our greenhouse gas emissions are outlined below.

We set out a target to achieve a 5% reduction in CO₂e emissions from our business travel and buildings this year, and have achieved this, with a 5.6% reduction in CO₂e emissions overall from these areas, and a 1.9% reduction in emissions overall.

Table 1: Greenhouse gas emissions

Greenhouse gas emissions	2013/14 (full year)	2014/15 (full year)	Change
Scope 1: Direct GHG emissions (tCO ₂ e)	3,064	2,537	Reduced
Scope 2: Energy indirect emissions (tCO ₂ e)	1,993	2,107	Increased
Scope 3: Other indirect GHG emissions (tCO ₂ e)	2,245	2,520	Increased
Total gross GHG emissions (tCO ₂ e)	7,301	7,164	Reduced
Outside of scopes (i.e. biomass)	144	125	Reduced
Carbon intensity (tCO ₂ e) per £m expenditure)	41.3	39.8	Reduced

Waste Minimisation and Management

We are committed to minimising the amount of waste we generate, and recognised that we needed to improve our reporting in this area, building on the strengths of the three different systems we had in place from our legacy organisations. We will have consistency in the waste data we report next year, and have set a target to measure and report on all NRW waste streams consistently in 2015/16.

Table 2: Waste Generated

Waste generated	Units	2013/14 (full year)	2014/15 (full year)	Change
Landfilled	Consumption (tonnes)	80	64	Reduced
	Expenditure (£k)	90	47	Increased
Recycled / reused (including WEEE)	Consumption (tonnes)	253	229	Reduced
	Expenditure (£k)	57	Unavailable ⁴	Increased
Fly-tip	Consumption (tonnes)	37	95	Reduced
	Expenditure (£k)	Unavailable	Unavailable	Reduced
Incinerated	Consumption (tonnes)	30	31	Reduced
	Expenditure (£k)	Unavailable	Unavailable	Reduced
Total waste	Consumption (tonnes)	400	419	Increased
	Expenditure (£k)	147	110 ⁵	Reduced

⁴ Where any item is noted as unavailable in this report, we do not currently record this financial data, and will work to obtain this during 2015/16.

⁵ This total includes waste spend for which we have no breakdown into the above categories.

Use of Finite Resources

We have reported on our estate water and energy use below. The stones/aggregate used in construction projects is also one of our significant areas of resource consumption, and is reported in the Sustainable Construction section of this report.

Water: Our water use reporting has been improved this year to ensure office water use figures purely reflect office water use (i.e. not including any combined use sites, depots, visitors centres, hatcheries, etc.). Our water use intensity is below average for water use⁶, and we have set a 5% reduction target for 2015/16.

Table 3: Water Consumption

Resource use – Estate water	Units	2013/14 (full year)	2014/15 (full year)	Change
Water supplied: Office use	Consumption (m ³)	8,161	7,208	Reduced
Water supplied: Non-office use:				
-Mains supply	Consumption (m ³)	4,863	6,630	Increased
-Abstraction	Consumption (m ³)	73,428	15,581	Reduced
-Rainwater	Consumption (m ³)	34	35	Increased
Water use intensity (for Office use)	m ³ per FTE	4.1	3.7	Reduced
Water supplied: Total				
	Consumption (m ³)	86,486	29,454	Reduced
	Expenditure (£k)	35	27	Reduced
	Consumption (tCO ₂ e)	30	10	Reduced

Maintaining the wetland habitats at Newport Wetlands National Nature Reserve (designated SSSI and part of the Severn Estuary SPA, RAMSAR and SAC) is typically our largest water abstraction need (7,117m³ during this year, ~55,000m³ in 2013/14). The wetlands have a highly variable water abstraction need⁷. We also abstract water for our fish hatchery sites, and at remote sites (where mains water is not available).

Energy: Our energy use has decreased significantly this year, with the large part of the decrease related to our occupied sites (electricity and gas use in particular). In the last year we have also generated 1.7% of our own energy use from our buildings with onsite renewables (wind, hydro and solar power). Our largest renewable installation (photovoltaic panels at the Maes Y Ffynnon office in Bangor) generated 25,115kwh during the year.

⁶ Average = 4m³ per FTE (Source: Water Key Performance Indicators and benchmarks for offices and hotels. C657 CIRIA www.ciria.org)

⁷ Abstracted water is used in dry hot weather to maintain the correct water and salinity levels in the Newport Wetlands Saline Lagoons, vital for the many species of water bird that rely on them. In the Autumn, the abstraction is also used to ensure the reserve's lowland wet grassland is kept in the right condition to support overwintering birds.

Table 4: Energy Consumption

Resource use – Estate energy	Units	2013/14 (full year)	2014/15 (full year)	Change
Energy used: Occupied sites	Consumption (kwh)	6,094,415	5,299,127	Reduced
	Consumption (tCO ₂ e)	2,090	2,042	Increased
Energy used: Unoccupied sites	Consumption (kwh)	930,846	993,441	Increased
	Consumption (tCO ₂ e)	415	491	Increased
Renewable energy: Self-generated	Generation (kwh)	89,625	90,280	Increased
	Consumption (% of energy used)	1.5	1.7	Increased
Energy used: Total	Consumption (kwh)	7,025,261	6,292,568	Reduced
	Consumption (tCO ₂ e)	2,505	2,533	Increased
	Expenditure (£k)	570	587	Increased
Renewable energy installations ⁸	Consumption (MW)	59	59 ⁹	Increased

There is also large scale renewable energy generation on the wider estate we manage (the Welsh Government Woodland Estate) through the Cefn Croes wind farm, which has an installed capacity of 59MW. On a smaller scale, ~380kW of renewable energy became operational this year from small scale hydro generation we have enabled. We have an Energy Delivery Plan to develop further onshore energy projects (covering wind, hydro, solar, biomass, coal, oil and gas), through or over the managed estate. Over the next four years we are anticipating the amount of energy generated on the estate we manage will increase significantly (in excess of 600MW additional capacity provided via renewables, enough to power ~350,000 houses).

Sustainable Procurement

We are working to deliver procurement that achieves value for money, sustainability and opportunities for Welsh SMEs, and have reported our progress on this through the last year as part of the Business Plan Dashboard. We have developed our procurement strategy to 2017 this year, and have ensured consideration of sustainability issues by using sustainability risk assessments in our procurement activity (applying this to all relevant contracts over £25K). Next year, we will expand the scope of our sustainability impact assessments as we begin to adopt an integrated natural resource management approach. Another focus area will be the delivery of community benefits through contracting, and reporting on the outcomes delivered. We are also working on plans to increase opportunities for Welsh SMEs to compete for NRW contracts, ensuring our procurement practices are appropriate for SMEs and larger scale enterprises.

⁸ Schemes on the estate we manage which involve developers leasing land we manage on which to site installations of renewables (e.g. wind farms). This figure also includes schemes that are only partially on the estate we manage (e.g. small scale hydropower schemes). Figures given reflect installed capacity of operational installations, as opposed to the actual energy generation

⁹ Full figure is 59.38, when including the ~380kW of small scale hydro generation we have enabled

Travel

Our travel needs include: working to manage sites, responding to serious environmental incidents, taking samples, dealing with flooding, site meetings, etc. This year we have travelled ~10 million miles in undertaking our work.

Table 5: Travel detail

Travel by vehicle	Units	2013/14 (full year)	2014/15 (full year)	Change
Owned vehicles	Miles travelled Expenditure (£k)	6,562,934 1,101	5,416,119 1,033	Reduced Reduced
Lease vehicles	Miles travelled Expenditure (£k)	2,154,755 223	2,531,396 ¹¹ 329	Increased Increased
Grey vehicles ¹²	Miles travelled Expenditure (£k)	673,345 74	618,795 81	Increased Increased
Hire	Miles travelled Expenditure (£k)	326,810 14	357,526 N/A	Reduced N/A
Train	Miles travelled Expenditure (£k)	1,405,603 342	1,430,656 377	Increased Increased
Air	Miles travelled Expenditure (£k)	27,997 8	30,221 11	Increased Increased
Bicycle	Miles travelled Expenditure (£k)	4,812 0	804 ¹³ 0	Reduced No change
Total vehicle travel	Miles travelled Expenditure (£k)	11,156,256 1,762	10,385,517 1,831	Reduced Increased

As part of work to reduce our environmental impact related to travel, we have a travel hierarchy in place. The travel hierarchy lays out the best to worst options for travel (for example, stating the use of public transport is better than other forms of vehicle use). We also operate a 'no fly policy' within Wales and England, requiring all air travel requests to be fully justified and cleared at Executive Team level. In terms of avoiding the need to travel we have also increased our use of telephone/computer conferencing significantly this year. Next year we will be refining our travel decision making approach, to ensure the most appropriate travel options are considered when multiple staff need to travel.

Environmental incidents

There have been 38 environmental incidents as a result of our work (or that of our contractors) and 11 near misses. One of these incidents was classified as serious (at category 2) according to the environmental incident classification scheme that we apply to environmental incidents. Where incidents occur as a result of our work (or that of our

¹¹ The last three months of our lease mileage position is estimated, due to a problem with the database we use to report this. We are replacing this database during 2015/16

¹² Grey vehicles are staff's own private vehicles

¹³ The reason for the large reduction in bike mileage is currently unknown. We will be looking into this during 2015/16

contractors), we review what has happened, and act to address the root cause of the incident.

Sustainable Construction

Much of our construction activity is contracted out, and some of this activity is not covered by the figures below.

Aggregate/stone: We aim to use secondary source aggregates wherever it makes sense to do so and they are locally available, preventing any unnecessary extraction of primary aggregate. This year, 10% of aggregate use has been from a secondary source. We have used relatively less aggregate from secondary sources this year. The construction of a Flood storage area upstream of Pontarddulais involved significant use of primary aggregate (19,000 tonnes of locally quarried aggregate, taken from within ~20miles of the site). We have also included our quarrying activity on the estate we manage for the first time this year. Our use of primary aggregate on the Public Forest Estate is typically for infrastructure construction, maintenance and reinstatement, and totalled some 86,500 tonnes in 2014¹⁴.

Table 6: Stone/aggregate use

Resource use - Stone/aggregate	Units	2013/14 (full year)	2014/15 (full year)	Change
Stone/aggregate - primary source	Consumption (tonnes)	63,923	115,786	Increased
	Expenditure (£k)	526	538	Increased
	Consumption (tCO ₂ e)	703 ¹⁵	1,274	Reduced
Stone/aggregate - secondary source	Consumption (tonnes)	190,623	13,102	Reduced
	Expenditure (£k)	10	12	Increased
	Consumption (tCO ₂ e)	381	26	
Secondary source use	(% by total weight)	75	10	Increased

Timber: We aim to ensure all the timber we use is from sustainable sources, and we also produce FSC/PEFC certified timber from the Welsh Government Woodland Estate we manage. We brought in a new timber procurement policy early in April 2014 and trained key staff on the requirements of this. This year, 100% of timber used in construction¹⁶ has been from a sustainable source¹⁷.

¹⁴ The figures given only refer to the large civil engineering projects undertaken by us and our contractors which are co-ordinated by our Projects Delivery team

¹⁵ A large amount of aggregate was used in 2014/15 increasing river capacity in the Lower Swansea Vale

Table 7: Timber use

Resource use – Timber	Units	2013/14 (full year)	2014/15 (full year)	Change
Timber – sustainable source	Consumption (tonnes)	115	32	Reduced
	Expenditure (£k)	22	9	Reduced
Timber – unknown source	Consumption (tonnes)	0	0	No change
	Expenditure (£k)	0	0	No change
Sustainable source use	(% by total weight)	100%	100%	No change

Site consolidations

We inherited a large amount of accommodation (e.g. depots, offices) from our legacy bodies, some of which fulfilled a similar function at similar sites. We are selling off spare sites, reducing our accommodation costs, and their related carbon footprint. We have now reduced to 65 operational sites having disposed of nine sites this year (with a further 5 mothballed and being disposed). We will continue to consolidate our sites over the coming years.

Governance and Reporting

We committed to “maintain ISO14001 accreditation for our environmental management and work towards being an exemplar in areas such as carbon use, waste and water” as a measure within our Business Plan Dashboard this year. Performance against this Business Plan Dashboard measure was reported by the Executive Team to the Board (in open public session) three times over the year. Reporting against this measure has also been assessed by internal audit this year.

We collect the data used within this sustainability report through a combination of meter readings (e.g. gas, electricity), invoices (e.g. fuel card purchases) and suppliers data (e.g. train miles), using the most accurate source/s we have available. We also look to minimise use of any estimated data in our reporting, e.g. 2.4% of our carbon footprint is estimated this year, and we are working to improve this.

We are now starting to move across from the multiple systems our legacy organisations had for data collection to ensure improvement in the consistency of collected and reported data. We have revised the baseline figures used in this report across a number of areas to reflect these improvements. Our new Finance system will be a key part of future improvements, and will improve our reporting on a number of areas in 2015/16.

¹⁶ Forest Stewardship Council (FSC). Programme for the Endorsement of Forest Certification (PEFC). As supported by our UK Woodland Assurance Standard (UKWAS) accreditation

¹⁷ Note: Compliance with the timber procurement policy was also checked for smaller scale construction activity as part of our internal EMS audit programme which also found 100% compliance at the sample of sites assessed.



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