

# Natural Resource Wales

## FRAMEWORK DOCUMENT

### 1. Introduction

- (a) This Framework Document has been drawn up by the Director's team in the Department for Environment and Sustainable Development in consultation with Natural Resources Wales (NRW). It sets out the broad framework within which NRW operates and details the terms and conditions under which the Welsh Ministers provide grant-in-aid to Natural Resources Wales. A comprehensive overview of public financial management arrangements in Wales is provided by *Managing Welsh Public Money*. Payment of grant-in-aid is conditional upon the satisfactory performance by NRW of all its obligations as set out in this document and such other conditions and requirements as the Welsh Ministers may, in accordance with section 70 (2) of the Government of Wales Act 2006, from time to time impose. The document shall be reviewed from time to time by the Welsh Government and NRW jointly but at no less than five yearly intervals. It is proposed that the first review should take place at the same time as the independent extended assessment takes place (before the end of the two year probationary period).
- (b) Copies of this document and any subsequent amendments will be placed in the Library of the National Assembly for Wales (the National Assembly) and made available to members of the public via the NRW website. The document has been signed and dated by the Director's team and NRW.

### 2. Purpose of Natural Resources Wales

- (a) Natural Resources Wales was established by the NRW (Establishment) Order 2012. As a public body, its primary role is to fulfil its statutory responsibilities set within the context of the Welsh Government's strategic aims. Its main purpose is to ensure that the environment and natural resources of Wales are;
  - (a) sustainably maintained,
  - (b) sustainably enhanced, and
  - (c) sustainably used.
- (b) The functions provided for in the Establishment Order were those necessary to enable NRW to undertake the preparatory work ready to receive the full range of environment functions in April 2013.
- (c) A second order, the draft NRW (Functions) Order 2012 amends a wide range of legislation in order to transfer to the new body functions exercised by Countryside Council for Wales, Environment Agency in Wales and Forestry Commission in Wales, along with certain licensing functions of the Welsh Ministers. It makes consequential changes to legislation, and amends the

body's general powers and duties to reflect the range of functions being transferred to it.

## **Ten Governing Principles<sup>1</sup> defining relations between Welsh Government Sponsored Bodies and the Welsh Government**

### **3. Principle One - Joint mission and purpose**

- (a) **Delivering for Wales.** WGSBs play a key role in the governance of Wales and meeting the aspirations of Welsh citizens. From the perspective of the Welsh Government, the primary role of a WGSB is to fulfil its statutory responsibilities and to meet objectives established by the Welsh Ministers using funds voted by the National Assembly of Wales. This relationship is conducted through a sponsorship arrangement managed on behalf of Ministers by the Welsh Government. WGSBs have diverse organisational forms, including charities and quasi-judicial bodies and can cover different jurisdictions beyond Wales. Whilst respecting this diversity, Ministers look to WGSBs primarily to deliver important functions and services for the people of Wales on their behalf.

### **4. Sponsorship**

- (a) **The aims of sponsorship** are to:

- Build and maintain a positive relationship between the sponsored body and the Welsh Government which is based on mutual trust and respect and open and honest communication.
- Ensure that the strategic aims and objectives of a sponsored body reflect and promote the wider strategic objectives of the Welsh Government.
- Provide the sponsored body with the support and guidance it requires or may request to achieve its objectives.
- Encourage and promote high standards of corporate governance and financial accountability within the organisation to ensure its efficient and effective operation.

- (b) NRW and Welsh Government officials (including sponsor team) shall meet once a quarter to discuss progress reports on meeting agreed outcomes. Informal monthly meetings will be held between the CEO of NRW and Director DESD. NRW will also meet the minister at least once a year to discuss progress and performance.

---

<sup>1</sup> These ten principles encompass the five key areas of a framework as recommended by the Institute for Government "It Takes Two" review of effective relationships between Government and Arms Length Bodies.

## **5. Principle two - Outcome focus and NRW performance.**

- (a) Within the constraints set by statute and Ministerial commitments, NRW objectives will as far as possible be specified in terms of outcomes that are clear, relevant and challenging to promote innovation and efficiency. NRW shall be given as much flexibility as possible in how these outcomes are achieved within the performance framework. Its remit letter should be no more prescriptive than NRW's responsibilities require. However, the performance framework should assess the contribution of NRW in achieving outcomes. The outcomes which have been jointly developed by Welsh Government and NRW are at annex 2.
- (b) Properly structured and robust challenge and scrutiny of NRW is an essential part of the sponsorship role that supports public accountability. This is best exercised at a strategic rather than operational level, leaving the executive day-to-day management to the CEO.
- (d) A Performance Framework will be developed around specific outcomes to support this common purpose and reflect the Department's role in the wider Welsh Government Remit and that delivery for Wales requires joined up collaborative approach between Natural Resources Wales, the Welsh Government and others. The NRW will focus delivery on the Performance Framework that is based on the Results Based Accountability principles and will include, for each outcome, a number of indicators (to show how we assess outcome achievement) and performance measures for the specific programmes, activity and projects that are designed to achieve the outcomes.
- (e) Delivery across the performance framework by Natural Resources Wales should be underpinned by an evidence-informed approach. This will require collaboration between the Welsh Government, NRW and key stakeholders including academia, the voluntary sector, and industry. The approach should be based on the principle of "collect once use many times", with the aim of optimising the use of existing evidence. Shared ownership of the evidence base and joint working should be seen as normal.

## **6. Relationships between the Welsh Government and NRW**

- (a) **Principle three - Relationships defined by trust and risk.** The relationship between the Welsh Government and NRW should be based on trust and mutual respect, with a proportionate approach to risk. Where there is evidence of poor performance or weak governance, the Welsh Government will adopt a more prescriptive 'hands-on' approach to the relationship. The Welsh Government and NRW will ensure that sponsorship functions perform effectively and meet the expectations set out in these principles.
- (b) **Principle four - Effective collaboration.** Welsh Government Sponsored Bodies (WGSBs) are highly valued for their expertise and experience. WGSBs, the Welsh Government and the wider public sector recognise the importance of working together and building 'Team Wales', seeking opportunities for broader

and deeper collaboration in policy development supporting each other and celebrating success. Opportunities to save money, identify efficiencies and improve effectiveness should be pursued energetically and jointly.

- (c) The Department for Environment and Sustainable Development expects its WGSBs to be routinely involved in policy development where it is a delivery partner or has expertise. This involvement will be focussed on outcome delivery across all delivery mechanisms, and not individual organisational objectives.
- (e) **Principle five - Effective communication.** NRW and the Welsh Government form an extended family and undertake to maintain a consistent, respectful and collegiate approach to dealing with each other in public and private. All parties undertake to strive for effective communication, to be as open as possible, to share information and to manage contentious matters through dialogue and negotiation.
- (f) Communication should be based on the 'no surprises' principles that it is open, honest, constructive and consistent. Communication protocols should be agreed and there should be significant senior level involvement to ensure good strategic direction, and to reflect commitment to the relationship. Regular meetings shall be held between the department and NRW as well as meetings bringing together other departmental delivery partners.
- (h) The sponsorship team should act as the principal access point to the Welsh Government for NRW and act as a source of authoritative advice (even if that advice is acquired from elsewhere).
- (i) There should be a clear structure for formal communication in respect of: data which is of mutual benefit; regular operational and business planning; and, formal reporting and monitoring arrangements. This will include formal sponsorship meetings at Ministerial/Chair and CEO level as appropriate to review performance and discuss cross cutting or specific issues arising.
- (j) Informal communication should take place whenever necessary between the Chief Executive, the NRW senior management team and officials and members of the sponsor team.

## **7. Governance and accountability (See Annex 1)**

- (a) **Principle six - NRW chair and Board.** The chairs of WGSBs are important figures in Welsh public life and will be appointed in accordance with the Code of Practice for Ministerial Appointments to Public Bodies. WGSB Boards are accountable to Ministers for achieving the defined objectives, ensuring high quality corporate governance and for oversight of the executive, including the Chief Executive.
- (b) **Principle seven - Primary role of the Board is NRW oversight.** Governance and the internal control regime should be a matter primarily for the NRW Board. The Welsh Government will rely on the Board, internal audit and Wales Audit

Office for assurance. The sponsorship role should focus on accounting for delivery of objectives and the management of relationships between the NRW and the Welsh Government. Clear roles and expectations for Ministers, chairs, Boards, executives, Accounting Officers, sponsorship divisions and auditors should be set out in the Framework Document (Annex 1).

- (c) **Principle eight - Performance management (see Annex 2).** Whilst Welsh Government expects the norm to be good performance, effective governance and a respectful relationship, our approach must be capable of an effective response to poor performance or other problems. Where there is evidence of poor performance in relation to objectives, management of funds, Board effectiveness or other aspects of governance, the Welsh Government has both the right and responsibility to become more involved and more prescriptive. Performance management will be risk-based, relying on evidence of robust internal control to support a lighter touch or alternatively to apply a stronger grip where risks are managed less satisfactorily.
- (f) **Principle nine - Delegation (see Annex 3 & 5).** Welsh Government and the NRW Accounting Officer remain jointly accountable for public funds spent through NRW sponsorship. However, the routine sponsorship management regime should be only as prescriptive as necessary to be assured that public funds are managed correctly and that outcomes are being achieved cost-effectively. Financial responsibility will be delegated to the extent possible, consistent with Welsh Ministers and Accounting Officer responsibilities.
- (g) There should be a clear knowledge of the respective roles and obligations as set out in the financial accountability element of this Framework Document.. This document should also reflect the relevance and importance of the audit process including management letters and additional assurance reports along with the sensitivity of Audit Committee recommendations and their implementation.
- (h) **Principle ten - Responding to change.** In a changing world and with changing ministerial priorities, it may be necessary to reshape the functions and methods of service delivery of WGSBs or, where more appropriate, to review the continued relevance of their objects and constitutional arrangements. The Welsh Government may from time to time conduct in-depth organisational or thematic reviews to ensure that its WGSBs remain fit for purpose and to make proposals for reform.

## **8. Citizen centred Principles**

- (a) The NRW must ensure that, in carrying out its functions, it does so in a way that is consistent with the Welsh Government's Citizen-Centred Governance Principles which incorporate the Seven Principles of Public Life set out by the Committee on Standards in Public Life (the Nolan Committee):

**Putting the citizen first**

- Putting the citizen at the heart of everything and focussing on their needs and experiences; making the organisation's purpose the delivery of a high quality service.

**Knowing who does what and why**

- Making sure that everyone involved in the delivery chain understands each others roles and responsibilities and how together they can deliver the best possible outcomes.

**Engaging with others**

- Working in constructive partnerships to deliver the best outcome for the citizen.

**Living Public Service Values**

- Being a value-driven organisation, rooted in Nolan principles and high standards of public life and behaviour, including openness, customer service standards, diversity and engaged leadership.

**Fostering Innovative Delivery**

- Being creative and innovative in the delivery of public services - working from evidence, and taking managed risks to achieve better outcomes.

**Being a Learning Organisation**

- Always learning and always improving service delivery.

**Achieving Value for Money**

- Looking after taxpayers' resources properly, and using them carefully to deliver high quality, efficient services.

The terms of this Framework Document were approved by the Minister for [state appropriate Portfolio] on [state date].

Signed..... Director General for [State]

Dated.....

Signed.....Chief Executive [or other  
nominated officer on  
behalf of the [Title]]

Dated.....

**List of Annexes**

- |         |   |
|---------|---|
| Annex 1 | Governance & Accountability                                 |
| Annex 2 | Performance Management                                      |
| Annex 3 | Delegation  |
| Annex 4 | List of Government-Wide Corporate Guidance and Instructions |
| Annex 5 | Summary of Approval Requirements and Delegation Limits      |

## Annex 1

### Governance and Accountability

#### 1.1 Legal Origins of Powers and Duties

- 1.1.1 NRW's powers and duties are set out in two Orders made by Welsh Ministers in exercise of the powers conferred by sections 13, 14, 15 and 35 of the Public Bodies Act 2011.
- 1.1.2 The first of the two Orders, The NRW (Establishment) Order 2012 was made under powers contained in sections 13 and 15 of the 2011 Act. It established the body in a way that ensured that, prior to its having transferred to it the full range of appropriate functions, it would be able to undertake the preparatory work necessary to ensure the new body would be able to function fully from the first day it become responsible for all the environmental responsibilities to be transferred to it.
- 1.1.3 The overarching purpose ascribed to the body (article 4 of the Establishment Order) is to ensure that the environment and natural resources of Wales are sustainably maintained, sustainably enhanced and sustainably used. The Welsh Ministers will be able to issue guidance to the Body as to how it should exercise its functions so that it fulfils this purpose.
- 1.1.4 A further Order, the **(Draft)** NRW(Functions) Order **(2013)** transfers the full range of environmental functions to the Body
- 1.1.5 The principal purpose of the Functions Order is to transfer functions to the NRW from CCW, EA and FC, and to ensure that the body's general functions are appropriate for the range of functions it will exercise. It therefore contains further general powers and duties of the body, updating those in the first order (the Establishment Order) to reflect operational needs. The Order transfers all CCW functions to the body (apart from functions which are removed in order to avoid duplication). It also transfers a number of wildlife licensing functions of the Welsh Ministers to NRW.
- 1.1.6 Most FC functions in respect of Wales are also transferred to NRW its forestry management functions. However, the FC's powers to make subordinate legislation in relation to Wales, and its functions relating to plant health, are transferred to the Welsh Ministers.
- 1.1.7 EA functions are generally transferred to the body in relation to Wales (and remain exercisable by the EA in relation to England). Certain functions become jointly exercisable by the EA and the new body and a small number of functions continue to be exercised by EA on a UK-wide basis.
- 1.1.8 The transfer of functions is largely achieved by amending existing legislation.

1.1.9 The order also makes provision to abolish the CCW and the Welsh Environment Protection Advisory Committee and Regional and the Welsh Local Fisheries Advisory Committee of the EA.

1.1.10 The details relating to the functions of the NRW are contained in the schedules to the Functions Order.

## **1.2 Roles and Responsibilities**

### ***Ministerial Responsibility***

1.2.1 The First Minister has allocated responsibility for the oversight of Natural Resources Wales to the Minister for the Environment and Sustainable Development (the Minister). The Minister generally exercises functions of the Welsh Ministers in relation to the NRW. The Minister sets the policy framework for NRW and is accountable to the National Assembly for its activities. The Minister shall meet with the Chairperson of the Board of the NRW each year to review performance and discuss current and future activities.

### ***Accountabilities and Responsibilities of the Principal Accounting Officer***

1.2.2 The Principal Accounting Officer for the Welsh Ministers is the Permanent Secretary to the Welsh Government. He/she has responsibilities specified by HM Treasury and is accountable to the National Assembly (through the National Assembly's Public Accounts Committee) and to the UK Parliament (through the House of Commons Committee on Public Accounts) for:

- the regularity and propriety of the Welsh Government's finances;
- the keeping of proper accounts of the Welsh Ministers; and
- the effective and efficient use of resources including the grant-in-aid voted to the [NRW] under the Welsh Government's Annual Budget Motion.

1.2.3 The Principal Accounting Officer is also responsible for ensuring that the financial and other management controls applied across the Welsh Government are appropriate and sufficient to safeguard public funds. He/she is assisted in these duties by the Director General for Sustainable Futures whom he/she has designated as an Additional Accounting Officer (AAO) and to whom he/she has delegated responsibility for the NRW.



## ***Sponsor Department's Additional Accounting Officer's Accountabilities and Responsibilities***

1.2.4 The Director General for Sustainable Futures is the sponsor department's AAO. He/she is responsible to the Minister and the National Assembly for ensuring that financial and other management controls applied by [NRW] conform with the requirements of both propriety and good financial management. Accordingly, the AAO is responsible for ensuring that an adequate statement of the financial relationship between the Welsh Ministers and the NRW is in place and is reviewed regularly; and for the quality of the Welsh Government's relationship with NRW.

1.2.5 The AAO is accountable to the National Assembly for the grant-in-aid awarded to the NRW and for advising the Minister:

- on an appropriate framework of objectives and targets for NRW in the light of the department's wider strategic aims and key delivery and performance indicators.
- on an appropriate budget for the NRW in the light of the sponsor department's overall spending priorities; and
- on how well NRW is achieving its strategic objectives within the policy and resources framework determined by the Minister and whether it is delivering value for money.

1.2.6 The AAO is also responsible for ensuring arrangements are in place to:

- monitor the NRW's activities and its financial position through regular meetings and returns;
- address significant problems within NRW, making such interventions as are judged necessary;
- periodically carry out an assessment of the risks both to the department and the NRW's objectives and activities;
- inform the NRW of relevant government policy in a timely manner;
- bring to the attention of the NRW's full Board any concerns about the activities of NRW, requiring explanations and assurances that remedial action will be taken; and
- designate the Chief Executive of the NRW as its Accounting Officer.

1.2.7 The AAO has delegated responsibility for the day to day management of relations with the NRW to the Director for Environment and Sustainable development who heads the sponsor team within the Welsh Government.

## ***Sponsor Team***

1.2.8 The Director's Team in the Department for Environment & Sustainable Development is the primary contact for the NRW. It is the main source of advice to the Minister on the discharge of his/her responsibilities in respect of NRW. It also supports the sponsor department's AAO on his/her responsibilities towards the NRW. Officials of the sponsor team will liaise regularly with NRW officials to review the NRW's financial performance against plans and the achievement against targets. The sponsor team will also take the opportunity to inform and explain wider policy developments that might impact on the NRW. Further information about sponsor branch responsibilities can be found at Annex 4.

## ***Accountabilities and Responsibilities of the Chief Executive as NRW Accounting Officer***

### ***General***

1.2.9 The specific responsibilities of an WGSB Accounting Officer are set out in the Welsh Government's Memorandum "The Responsibilities of a Welsh Government Sponsored Body (WGSB) Accounting Officer". As Accounting Officer the Chief Executive is personally responsible for the proper stewardship of the public funds for which he or she has charge; for the day-to-day operations and management of the NRW; and for ensuring compliance with the requirements of Managing Welsh Public Money. The Chief Executive may be assisted in the exercise of his or her role by employees of the NRW. The Chief Executive may also delegate the day-to-day administration of these responsibilities to those employees but remains responsible and accountable under this document.

### ***Accountabilities to the National Assembly***

1.2.10 The Accounting Officer of NRW is accountable to the National Assembly for the following:

- signing the accounts and ensuring that proper records are kept relating to the accounts;
- ensuring that the accounts are prepared and presented in accordance with any directions issued from the Welsh Ministers;
- signing a statement of Accounting Officer's responsibilities for inclusion in the annual report and accounts;
- signing an Annual Governance Statement for inclusion in the Annual Report and Accounts;
- giving evidence, including attending hearings, on matters relating to the NRW which arise before the National Assembly's Public Accounts Committee, other committees of the National Assembly, the House of Commons Committee on Public Accounts or other Parliamentary

Committees, to account for the NRW's stewardship of public resources; and

- acting upon any recommendations of those committees that have been accepted by the Welsh Government.

#### *Accountability to the Sponsor Department*

1.2.11 The NRW AO is accountable to the sponsor team for the following:

- establishing, in agreement with the sponsor team, the NRW's corporate and operational plans;
- informing the sponsor team of progress in helping to achieve the department's policy objectives and demonstrating how resources are being used to achieve those objectives;
- ensuring that timely forecasts and monitoring information on performance and finance are provided to the sponsor team; that the sponsor team is notified promptly if overspends or under spends are likely and that corrective action is taken;
- ensuring that significant problems are notified to the sponsor team as quickly as possible; and
- providing the sponsor team with such information about its performance and expenditure as the sponsor team may reasonably require.

#### *AO Responsibilities in respect of the NRW [Board]*

1.2.12 He/she is also responsible for:

- advising the Board on the discharge of its responsibilities as set out in this document, relevant legislation, the Minister's annual Remit letter or other communication; and any other guidance that may issue from time to time;
- advising the Board on the NRW's performance against its aims and objectives;
- ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions and that suitable financial appraisal techniques are followed;
- ensuring that a system of risk management is maintained to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- ensuring that robust internal management and financial controls are introduced, maintained and reviewed regularly - including measures to protect against fraud and theft (such measures to incorporate a comprehensive system of internal delegated authorities); establishing procedures for handling complaints about the NRW; and developing and maintaining appropriate personnel management policies, all of which shall be readily available to all staff; and

- taking action as appropriate in accordance with the terms of the Accounting Officer's memorandum if the Board or its Chairperson is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity, or does not represent prudent or economical administration, or, efficiency or effectiveness, questionable feasibility or is unethical

### ***The Chief Executive's role as Consolidation Officer***

1.2.13 The Chief Executive is designated by HM Treasury as the NRW Consolidation Officer for the purposes of Whole of Government Accounts and must comply with the requirements of the Consolidation Officer Memorandum.

### ***The Chief Executive's role as Principal Officer for Ombudsman Cases***

1.2.14 The Chief Executive is also the Principal Officer for handling cases involving the Public Service Ombudsman for Wales.

### ***Responsibilities of the board of NRW***

1.2.15 The Chair and Board members are appointed by the Welsh Ministers. Article 3 of, and paragraph 2 of the Schedule to, the NRW(Establishment) Order 2012 provides for there being not fewer than 5 nor more than 11 members in addition to the Chairperson.

1.2.16 The appointments are made in accordance with the Commissioner for Public Appointments' code of practice for Ministerial appointments to public bodies<sup>2</sup>. The length of each appointment is determined by Welsh Ministers; in accordance with the code no individual will serve in any one post for more than ten years.

1.2.17 Up to four other members may be appointed by NRW and are to be employees and are referred to in the Schedule as "executive members".

### ***Collective Responsibilities***

1.2.18 The role of the Board is to:

- provide effective leadership; defining and developing strategic direction and setting challenging objectives;
- promote high standards of public finance, upholding the principles of regularity, propriety and value for money;
- ensure that NRW's activities are conducted efficiently and effectively; and
- monitor performance to ensure that NRW fully meets its aims, objectives and performance targets.

---

<sup>2</sup> <http://publicappointmentscommissioner.independent.gov.uk/wp-content/uploads/2012/02/Code-of-Practice-2012.pdf>

1.2.19 The Board must therefore ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. It must establish an Audit and Risk Assurance Committee chaired by a non-executive member (but not the Chair or Treasurer) to provide it with independent advice. The Board is also expected to assure itself of the effectiveness of the internal control and risk management systems.

1.2.20 The personal responsibility of the Chief Executive as Accounting Officer to ensure regularity, propriety and value for money in no way detracts from that of members of the Board, who each have a duty to act in a way that promotes high standards of public finance and for ensuring that the NRW's activities are conducted in an efficient and effective manner. They must not give the Chief Executive instructions which conflict with his/her duties as the NRW's Accounting Officer.

1.2.21 In particular the Board is responsible for:

- establishing and taking forward the strategic aims and objectives of the NRW consistent with its overall purpose and within the policy and resources framework determined by the Minister;
- ensuring that the Minister is kept informed fully of any changes that are likely to impact on the strategic direction of the NRW or on the attainability of its targets, and of steps needed to deal with such changes;
- ensuring compliance with any statutory or administrative requirements in respect of the use of public funds; that it operates within the limits of its statutory authority and any delegated authority agreed with the sponsor department, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, it takes into account guidance issued by the Welsh Government;
- ensuring that it receives and reviews regularly, financial information concerning the management of the NRW; that it is informed in a timely manner about any concerns as to the activities of the NRW; and that, where applicable, it provides positive assurance to the Minister via the sponsor team that appropriate remedial action has been taken to address any such concerns;
- demonstrating high standards of corporate governance at all times, including by using the Audit and Risk Assurance Committee to help the Board to address key financial and other risks; and
- appointing [with the prior approval of the Minister] a Chief Executive.

1.2.22 The Board may, to the extent permitted by the [Order], delegate to staff responsibility for the administration of day-to-day management issues but it remains ultimately responsible and accountable for all those matters. The NRW must maintain a list of matters which are reserved for decision by its Board as well as a scheme of delegation approved by the Board.

### *The Chairperson's Personal Responsibilities*

1.2.23 The Chairperson is accountable to the Minister. Communications between the NRW Board and the Minister shall, in the normal course of business, be conducted through the Chairperson. The Chairperson shall ensure that other Board members are kept informed of all such communications. He or she is responsible for ensuring that the Board's policies and actions support the Minister's wider strategic policies and that its affairs are conducted with probity. Where appropriate these policies and actions must be communicated and disseminated throughout NRW.

1.2.24 The Chairperson has a particular leadership responsibility regarding:

- formulating the Board's strategies;
- ensuring that the Board, in reaching decisions, takes proper account of statutory and financial management requirements and all relevant guidance including guidance provided by the Welsh Ministers;
- promoting the economic, efficient and effective use of staff and other resources;
- ensuring high standards of regularity and propriety; and
- representing the views of the Board to the public.

1.2.25 The Chairperson must also:

- ensure that all Board members are briefed fully on the terms of their appointment and on their duties, rights and responsibilities;
- ensure that he or she, together with other Board members, receive appropriate training, including on the financial management and reporting requirements of public sector bodies and on the differences that might exist between private and public sector practice;
- ensure that the Board has a balance of skills appropriate to directing the NRW's business, and advise the Minister, in instances where appointments are to be made by him or her, on the needs of NRW when Board vacancies arise;
- assess the performance of individual Board members in accordance with the arrangements agreed with the sponsor team;
- ensure that a Code of Practice for Board Members is in place consistent with the Welsh Government model Code.

### *Individual Board Members' Responsibilities*

1.2.26 In undertaking their duties and responsibilities Board members shall:

- comply at all times with the NRW's Code of Conduct for Board Members, and with the rules relating to the use of public funds and conflicts of interest;

- not misuse information gained in the course of their public service for personal gain or political profit, nor seek to use the opportunity of public service to promote their private interests or those of persons or organisations with whom they have a relationship;
- comply with the NRW's rules on the acceptance of gifts and hospitality, and of business appointments; and
- act always in good faith and in the best interests of the NRW.

Draft

## Annex 2

### Performance Management

#### 2.1 The Performance Framework

In Delivering for Wales the Department for Environment and Sustainable Development aims to build a common purpose between itself and its delivery partners including NRW. A set of outcomes - to be shared by the department and its delivery partners - has been developed to help achieve this common purpose.

A Performance Framework framed around the following specific outcomes – developed by NRW during its first year of operation - will be NRW's focus for delivery. The Performance Framework will be based on the Results Based Accountability principles and will include, for each outcome, a number of indicators (to show how we assess outcome achievement) and performance measures for the specific programmes, activity and projects that are designed to achieve the outcomes.

NRW is encouraged to be innovative in how it describes its goals / priorities and associates its activities with the outcomes and remit so that they best match its delivery arrangements. The Minister will approve NRW Corporate Plan which will also include NRW's Performance Framework.

For 2013/14 NRW will prepare an Operational Plan that has been compiled from: the existing plans of Countryside Council for Wales (CCW), Environment Agency Wales (EAW) and Forestry Commission Wales (FCW); the Living Wales Programme and the Minister's priorities from the Remit letter. This plan will contain a suite of existing indicators and performance measures used to monitor and judge performance in the first year.

**Enhancing our environment:** We want Wales to have a high quality environment with clean air, water, land and sea. We will work to ensure that our natural resources are healthy and resilient and are efficiently managed for Wales' long-term economic, social and environmental benefit.

**Protecting people:** We want the people of Wales to be safe and secure. We will work to ensure that everyone is protected as far as possible against the risks posed by incidents which occur in the environment, including those caused by human activity and natural hazards such as pollution, flooding and the effects of extreme weather.

**Supporting enterprise and jobs:** We want jobs in Wales to support the wellbeing of individuals and our communities. We will work to ensure that Wales has a prosperous, low-carbon, low-waste economy focusing on long-term economic growth. We will focus on ensuring that Wales' natural resources support the creation of enduring and high quality business opportunities and jobs.

**Improving the nation's health:** We want the people of Wales to be healthy. We will work to ensure that there is better health for all with reduced health inequalities. We will focus on ensuring that everyone has the opportunity to access Wales' high quality environment, and that people gain maximum benefit from doing so.



**Viable and vibrant places:** We want people and communities to benefit from access to high quality employment, affordable housing and public services, with communities supported by effective infrastructure including communications, transport and utilities. We will work to ensure that our landscape, seascape, natural resources and heritage support the development of Wales and we will work to ensure that Wales has a thriving, distinctive character built on our unique culture and heritage.

**Delivering social justice:** We want to increase opportunities for everyone to achieve a better quality of life and we want to reduce poverty, and we will work to ensure that people benefit from mutual support and a sense of community, with the lives of individuals enriched through Wales' economy, culture, heritage and environment.

**Supporting skills and knowledge:** We want everyone to have the knowledge and ability to make the best choices for future wellbeing and we will work to ensure that everyone is supported to reach their potential and to maximise both their own and Wales' future wellbeing, through high quality and effective people-centred services. We want the people of Wales to be able to take positive action to maintain, enhance and benefit from their environment, and we want to ensure that Wales benefits from high quality knowledge and evidence in relation to economic, environmental and social issues.

## 2.2 Planning Framework

### Budget Planning

- 2.2.1 The Welsh Government's budget planning arrangements are governed by the requirements of the Government of Wales Act 2006 and the Standing Orders of the National Assembly.
- 2.2.2 The NRW shall co-operate with the sponsor team in providing the necessary assistance and information to the Welsh Government to take forward its budget planning decisions. This will include annual efficiency savings.
- 2.2.3 The Minister will confirm the amount of funding to be provided to NRW and any other relevant budgets as soon as possible and normally no later than one month after the final budget has been agreed by the National Assembly and provide indicative budgets for future years whenever possible.

### ***Business Planning***

#### *Remit Letter*

- 2.2.4 The Minister shall, by the end of the November before the financial year to which it relates, discuss with NRW a draft remit letter setting out the Government's policy aims and areas for key performance indicators. The final remit letter will be issued as soon as possible and normally no later than one month after the National Assembly has approved the final budget and shall

include the voted grant-in-aid figure and related budgetary control totals. NRW will be notified in writing of variations to the budget allocation during the year.

## Corporate Plans

- 2.2.5 Following publication by the Welsh Government of a strategic agenda, the [NRW] shall produce a corporate plan. The corporate plan must be developed within the policy framework set by the Welsh Government and cover the period of the strategic agenda. Corporate plans will be rolled forward year on year in consultation with the sponsor team as they develop their own Plans. NRW's first Corporate Plan will be produced in NRW's first year of operation

## Operational Plans

- 2.2.6 The NRW shall prepare an annual operational plan setting out the level of service to be achieved in key areas and the performance and output information that shall be collected to monitor progress. [The operational plan will be informed by the Minister's remit letter, the Welsh Government's strategic agenda and the [NRW] corporate plan]. It is for the Board to determine the precise content of their plan, in consultation with the sponsor team.

## Approval of Plans

- 2.2.7 The timetable for the preparation and submission of the corporate and operational plans shall be agreed with the sponsor team. Both the corporate and operational plans will be approved by the Minister and made available to the public via the NRW website.

## 2.3 Performance Management

- 2.3.1 NRW shall operate management, information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against the targets set out in the corporate and operational plans. It shall inform the sponsor team of any changes that make achievement of objectives more or less difficult.
- 2.3.2 Each quarter, NRW shall provide a report to the sponsor team which sets out the progress towards meeting the key targets set out in the operational plan. The report must also include details of actual expenditure for the year to date against the approved budgets together with forecast expenditure figures for the year and explanations of any significant differences and issues. Wherever possible the reporting format will be consistent with NRW arrangements for reporting to its Board.

## Exception Reporting

- 2.3.3 NRW must notify the sponsor team as soon as it becomes apparent that:
- the full-year expenditure is likely to exceed its approved budget; or

- it is likely to under spend by more than the equivalent of 3 per cent of its total grant-in-aid.

#### 2.3.4 It shall also provide:

- an annual report of losses written-off (exceeding £100,000) and special payments made or sanctioned during the previous twelve months;
- an annual report outlining all cases of fraud and theft to which it has been exposed.

#### 2.4 Periodic Review

As part of the programme of reviews of Welsh Government Sponsored Bodies for which it is responsible, the Welsh Government may conduct a review of NRW from time to time.

#### 2.5 Risk Management

2.5.1 NRW must develop a risk management strategy to ensure that any risks it assumes are dealt in accordance with the relevant aspects of guidance on best practice in corporate governance.

2.5.2 NRW must adopt and implement policies and practices to safeguard itself against fraud and theft.

2.5.3 NRW shall take reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or give grant or grant in-aid, depending upon the particular circumstances of the procurement or grant scheme.

#### 2.6 Economy, Efficiency and Effectiveness – appraisal, research and evaluation

2.6.1 In order to ensure value for money, NRW must have in place appropriate systems, and the capacity, to ensure that its policies and programmes are evidence-based in relation to their development, implementation and evaluation.  
It shall review its services and activities on a regular basis and shall set out in its annual business plan the measures being put in place to drive through and maximise efficiencies

2.6.2 NRW must also ensure that its approach to carrying out appraisals and evaluations shall be fully consistent with the principles set out in guidance.

## **Annex 3**

### **Delegation**

#### **3.1 Accounting Arrangements and Audit**

##### ***Annual Report and Accounts***

3.1.1 The statutory accounting and reporting requirements are set out in (Second Order).

##### ***Statutory Accounts***

3.1.2 Each financial year NRW must prepare accounts in accordance with the Accounts Direction issued by the Welsh Ministers, the relevant statutes and the FReM. As soon as the audit of the accounts is complete, NRW shall submit to the Auditor General for Wales (AGW) the signed accounts together with a letter of representation. Two copies of the signed accounts shall also be forwarded to the sponsor department. The AGW shall lay the audited accounts before the National Assembly as required by the Government of Wales Act 1998.

##### ***Annual Report***

3.1.3 As soon as possible after the end of each financial year, NRW shall publish a report of its activities to permit the National Assembly, other clients and the public to judge its success in meeting its targets. The precise format of the published annual report should be discussed with the sponsor team.

3.1.4 The Annual Report must be submitted to the Minister prior to its formal publication. A draft of the report shall be submitted to the sponsor department at least ten working days before printing.

3.1.5 The annual report must:

- outline the NRW's main activities and performance during the previous financial year;
- report on performance against agreed targets and other deliverables and outline progress that has been made in taking account of the Welsh Government's cross-cutting themes;
- report on the activities of any corporate bodies under its control; and
- include either a summary of the NRW's audited accounts or publish the full audited accounts within a single document on its website.

3.1.6 A copy of the Annual Report must be laid before the National Assembly, after the accounts have been audited. The Report may not be published until after it has been laid before the National Assembly.

3.1.7 NRW shall liaise with the AGW and the sponsor team regarding the precise timetable for publication and laying of the Annual Report and the accounts.

### **3.2 Audit and Risk Assurance Committee**

3.2.1 NRW must establish an Audit and Risk Assurance Committee chaired by a non-executive member. The Committee will advise its Accounting Officer on the adequacy of arrangements within NRW for internal audit, external audit and corporate governance matters. NRW shall share with their sponsor team copies of the minutes of their Audit and Risk Assurance Committee meetings. The sponsor team also has a right to attend any meeting of the Audit and Risk Assurance Committee if circumstances require it. HM Treasury's Audit Committee Handbook (March 2007) gives further guidance on the reporting relationship between the internal audit service and the Audit and Risk Assurance Committee and Accounting Officer.

### **3.3 Internal Audit**

3.3.1 NRW must:

- establish and maintain arrangements for internal audit in accordance with the objectives, standards and practices described in HM Treasury's Public Sector Internal Audit Standards;  
[http://www.hm-treasury.gov.uk/d/public\\_sector\\_internal\\_audit\\_standards\\_december2012.pdf](http://www.hm-treasury.gov.uk/d/public_sector_internal_audit_standards_december2012.pdf)
- if the function is provided in-house, ensure that arrangements are made for external quality reviews of its internal audit at least once every five years and in accordance with Public Sector Internal Audit Standards . The Welsh Government shall consider whether it can rely on these reviews to provide assurance on the quality of NRW's internal audit;
- each year, following approval by NRW's Accounting Officer and its Audit and Risk Assurance Committee, submit to the sponsor team the audit strategy, periodic audit plans and annual audit report, including the Head of the Internal Audit Service's opinion on risk management, control and governance; and
- notify the sponsor team as soon as possible of any changes to the terms of reference of its Internal Audit arrangements and/or its Audit and Risk Assurance Committee.

3.3.2 The Welsh Government shall:

- assess the effectiveness of NRW's internal audit arrangements by scrutiny of their plans for future activity, reports on past activity and its annual assurance report (as prepared by NRW's Head of the Internal Audit Service); and
- have a right of access to all documents prepared by NRW's internal auditor, including where the service is contracted out.

### **3.4 External Audit**

- 3.4.1 The Auditor General for Wales (AGW) is the NRW's statutory external auditor.
- 3.4.2 In the light of new provisions contained in the Companies Act 2006 concerning the audit of public sector entities arrangements for the audit of any subsidiary companies established by NRW.
- 3.4.3 The AGW shall send a copy of its final Additional Assurance Report and Management letter to the Additional Accounting Officer of the sponsor department. Under section 145 of the Government of Wales Act 1998 the AGW may carry out examinations into the economy, efficiency and effectiveness with which NRW has used its resources in discharging its functions. Under section 145A, the AGW may undertake studies designed to enable him or her to make recommendations for improving economy, efficiency and effectiveness in the discharge of functions of bodies, and other studies relating to the provision of services. For the purposes of these examinations, as well as the statutory financial audit, the AGW has a statutory right of access to documents. The Comptroller and Auditor General shall also have rights of access by virtue of section 136 of the Government of Wales Act 2006. In addition, NRW shall provide, in conditions to grants and contracts, for the AGW to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the AGW to any other documents required by the AGW which are held by other bodies.

### **3.5 *Sponsor Department's Right of Access***

- 3.5.1 Should the need arise the sponsor team has a right of access to all NRW's records and personnel for monitoring purposes including, for example, sponsorship audits and operational investigations.

### **3.6 Management Arrangements**

#### **General**

- 3.6.1 Unless otherwise agreed in writing by the sponsor team, NRW shall at all times follow the principles, rules, guidance and advice in Managing Welsh Public Money and this document, referring any difficulties or potential bids for exceptions to the sponsor team in the first instance. A list of the guidance and instructions with which the NRW must comply is at annexes.
- 3.6.2 NRW must ensure always that its relationship with the Welsh Government is recognised appropriately through the use of the Welsh Government's sponsor brand mark.
- 3.6.3 In pursuit of its aims, NRW shall work closely with other organisations in Wales including the private sector, local authorities and the voluntary sector

reflecting the commitments in the Welsh Ministers' partnership agreements with the voluntary, business and local government sectors.

### **3.7 NRW Staff**

#### Recruitment, retention and management of staff

3.7.1 Within the arrangements approved by the Minister, NRW is responsible for the recruitment, retention and motivation of staff subject to the following general requirements:

- in the recruitment, management and advancement of staff NRW will follow the principles and behaviours set out in Chapter 4 of Managing Welsh Public Money;
- NRW may determine its own structure with the exception of:
  - the creation or re-grading of any senior management post that reports directly to the Chief Executive;
  - any proposal to create a new post at, or to re-grade a post to, a level which is not already represented in the staff structure; or
  - any proposal to re-grade all posts at a particular grade.
- NRW may vary the total number of staff employed to reflect changes in the scale of its operations or functions. The associated pay and related costs must be adjusted accordingly and reflected within the Management Running Cost total unless otherwise notified to the sponsor team;
- subject to its delegated levels of authority, NRW must ensure that the creation of any additional posts does not incur forward commitments which shall exceed its ability to pay for them;
- staff management and development policies are in place which include arrangements for appraising the performance of staff and encouraging staff to acquire appropriate professional, management and other expertise;
- NRW will adopt a Code of Conduct for its staff;
- appropriate grievance and disciplinary procedures are established;
- appropriate arrangements are in place to deal properly with any staff concerns about improper conduct;
- proper consultation with staff takes place on matters affecting them.

#### Pay and Conditions of Service

3.7.2 All staff shall be subject to overall levels of remuneration and terms and conditions of service (including superannuation) as have been approved by the Minister. Any changes to those terms and conditions, including levels of remuneration, must be authorised by the Minister.

3.7.3 NRW has no delegated powers to amend its overall terms and conditions. However, the NRW may vary individual contracts of employment without recourse to the Minister provided that any changes are within the overall framework of the terms and conditions approved by the Minister.

3.7.4 Staff terms and conditions shall be set out in an Employee Handbook, which must be provided to sponsor team together with any subsequent amendments.

#### Pay Remits

3.7.5 NRW shall present to the sponsor team a detailed case for its annual pay remit for pay negotiations. The pay remit shall be in the format specified annually by the Welsh Government and must reflect the needs of the organisation for changes in pay, grading and other terms and conditions of service. The proposals must be fully costed and shown to be affordable in the year in question and subsequent years. NRW is expected to operate a system of pay that provides all staff with equal opportunity for progression.

3.7.6 The sponsor team must be satisfied that all pay arrangements have been subject to an equal pay audit and, in addition, will require evidence from time to time that there has been independent quality assurance that meets this requirement.

#### Staff Benefits and Non-Pay Rewards

3.7.7 In considering gifts or non-pay rewards to staff or board members NRW must take a view on whether such a course of action represents an appropriate use of public money. In devising staff benefits or non-pay reward schemes NRW must take notice of HM Treasury's "Regularity, Propriety and Value for Money".

#### Pensions

3.7.8 Staff of the [NRW] shall be eligible to belong to NRW's own approved occupational pension scheme. Alternatively, they may opt out in favour of a State Second Pension or, for staff earning below [currently £30,000], a Stakeholder's pension. Staff also have the option of membership of a personal pension scheme. Any proposal by NRW to move from the existing pension arrangements requires written approval in advance from the sponsor team.

#### ***Redundancy, Severance and Compensation***

3.7.9 Any proposal to pay redundancy or compensation for loss of office requires prior written approval from the sponsor team. Proposals on severance must comply with the rules set out in chapter 4 of Managing Welsh Public Money.

### **3.8 Subsidiary Companies and Joint Ventures**

3.8.1 NRW shall not establish subsidiary companies or joint ventures which involve setting up special purpose vehicles – such as companies, partnerships or any other structure with legal identity and liability – without securing the prior written approval of the sponsor team.



3.8.2 Any subsidiary company or joint venture controlled or owned by NRW shall be consolidated with it, as required by accounting standards and, unless agreed otherwise by the sponsor team, shall be subject to the controls and requirements set out in this document, and to any such other further provisions set out in pertinent guidance and instructions.

### **3.9 Financial Responsibilities**

#### **Expenditure**

3.9.1 Subject to any restrictions imposed by the Act, directions of the Welsh Ministers, or by this document, NRW may, as soon as its budget has been confirmed by the Minister, incur expenditure on the programme approved in its annual budget without further reference to the sponsor team, subject to the following conditions:

- NRW shall comply with the delegations set out in Annex 3. These delegations must not be modified or breached without the written agreement in advance of the sponsor team;
- NRW must obtain written approval in advance of proceeding with:
  - any proposal which could be considered to be novel, contentious or repercussive;
  - any change of policy or practice which has wide financial implications;
  - anything that might affect the future level of resources required; or
  - any significant change in the operation or funding of any initiative or particular scheme approved by the sponsor department;
- NRW shall follow the policy framework set out in Managing Welsh Public Money in relation to the procurement of goods and services;
- NRW shall resist requests for payment in advance except in exceptional cases where it is considered that some payment may be necessary. In such cases, the principles set out in Managing Welsh Public Money must be observed;
- NRW shall consult the sponsor team before entering into any property lease agreement if it is above delegated limits. The sponsor team must also approve in advance any proposals to relocate or move to new accommodation;
- NRW must be open and transparent in its approach to gifts and have clear policies on disclosing information about, and the procedures adopted for, making any gifts.

#### ***Borrowing, Lending, Guarantees and Investments***

3.9.2 NRW shall not, without the sponsor team's prior written consent, borrow (including temporary borrowing facilities in the form of a pre-arranged overdraft

facility to bridge any gaps between long-term borrowing arrangements); lend; charge any asset or security; give any guarantee or indemnities; letters of comfort; or incur knowingly any other contingent liability (as described in Managing Welsh Public Money) whether or not in a legally binding form. All financial guarantees and indemnities given by NRW must be covered adequately against un-drawn Assembly Public Expenditure Resources.

3.9.3 Nor shall NRW make any investments without securing the prior written approval of the sponsor team except in respect of short-term deposits of cash surpluses.

### **Grants and Loans**

3.9.4 All grants must comply with the terms of Managing Welsh Public Money and be made subject to appropriate terms and conditions which provide adequate protection for the public purse. Terms and conditions must, for example, allow for phased payments, reinforce rights of access for Welsh Government officials and the Auditor General for Wales, ensure that Welsh Government's financial interests are adequately protected, and allow for claw back in certain circumstances, e.g. if grant monies are used other than for approved purposes.

3.9.5 All loan schemes must be managed under similar arrangements.

### **Funding**

3.9.6 All the streams of income mentioned in the following paragraphs ('Income from Exchequer Sources' and 'Income from Non-Exchequer Sources'), shall be treated as public funds and the requirements of this document shall apply equally to them.

#### **Income from Exchequer sources – Grant-in-aid**

3.9.7 The Welsh Ministers shall make payments to NRW of grant-in-aid. Grant-in-aid shall be paid in monthly instalments, on the basis of an application to the sponsorship team. This must be provided in the form of a financial statement as set out in the grant-in-aid drawn-down form and submitted by a person notified to the sponsor team as authorised to make the application. Authentication must be had prior to the first claim in each financial year and specimen signatures submitted to sponsorship. NRW may not draw down in advance of need for activities funded by grant-in-aid.

#### **Income from Non-Exchequer Sources**

3.9.8 NRW must seek as far as possible to maximise its income from sources other than the Exchequer where this is consistent with its functions and is in line with the agreed Corporate Plan. It may retain income that is derived from, for example, the sale of land and buildings and other assets, grants given by the EU, grants given through lottery funds, any proceeds from NRW's commercial activities and those resulting from the sale of services into wider markets. Such activity must be

undertaken in accordance with the terms of Managing Welsh Public Money and this document.

3.9.9 Proceeds from the disposal of an Exchequer financed asset worth £1 million or more must, however, normally be surrendered to the Welsh Government, unless agreed otherwise. This does not apply to disposal proceeds in relation to the Welsh Government Woodland Estate (WGWE), which will be retained by NRW within its Estates Capital Reserve, and utilised only for the acquisition of new areas of land to be incorporated into the WGWE, or other capital expenditure in relation to the WGWE.

3.9.10 Proceeds derived from the sale of other assets may be retained provided that they are used to finance other capital spending – this being expenditure on new construction, land, extensions or alterations to existing buildings and the purchase of any other discrete asset or collection of assets (e.g. machinery and plant), including vehicles, having an expected working life of more than one year.

### **Private funds**

3.9.11 Donations, grants for research from non-public organisations, or bequests given to NRW, are deemed to be private funds and are not covered by the terms of this document. Funds received directly from the Welsh Government, other government departments, agencies and other public organisations or those funded primarily by the tax payer and any proceeds from NRW's commercial interests or activities do not count as private funds.

### **Fees and Charges**

3.9.10 Subject to any relevant statutory provision, fees and charges for services provided by the Agency must be determined in accordance with *HM Treasury Fees and Charges Guide* and any other guidance or determinations issued by the Department, the Assembly, or the Treasury.

3.9.11 Changes to charging schemes and the level of charges require the approval of the Welsh Ministers. In the case of new schemes, which may arise from new or existing legislation, or where alterations are proposed to the technical details of a scheme, NRW will seek Welsh Ministers' approval in consultation with the Secretary of State as required under the relevant statutory provisions and the *Treasury's Fees and Charges Guide*.

3.9.12 In addition, the approval of the Welsh Ministers is required for technical changes to the Flood Defence Levy Scheme and the General Drainage Charging Scheme, which may also require changes to primary legislation. HM Treasury will also need to be consulted if such changes to primary legislation affect (directly or indirectly) any of the financial provisions. Year-on-year adjustments in levies and charges are approved by Flood Defence Committees and the Agency Board. For flood defence levies in England, NRW is directed not to raise levies which in any committee exceed three times the Formula Spending Shares allocated to local authorities in the area

of the committee, although it is open to local authorities to make payments outside of the levy process greater than this to the Agency under their general 'well-being' powers.

### **3.10 Cash Management**

#### ***Grant-in-Aid Cash Balances***

##### ***In Year***

***Cash balances accumulated during the course of the financial year from grant-in-aid or other Exchequer funds must be kept at the minimum level consistent with the efficient operation of the NRW. If a cash surplus should occur, it must be placed on deposit until it can be used. The NRW must seek to avoid holding a working balance in excess of the equivalent of 4 per cent of its total annual gross budget when it receives each month's instalment of grant-in-aid. Any funds exceeding that amount held by the NRW as a working balance at the end of each funding period shall be taken into account in determining the amount of grant-in-aid to be paid in the following period".***

##### ***End of Year***

**3.10.1 Grant-in aid cash balances** - NRW shall be permitted to carry-over from one financial year to the next any drawn but unspent cash balances of up to 5 per cent of its agreed total annual grant-in-aid budget. Any proposal to carry-over sums in excess of this amount must be agreed in writing in advance with the sponsor department on a case by case basis. Any sum carried-over in excess of the agreed amount shall be taken into account in the subsequent year's grant-in-aid.

**3.10.2 Non Grant-in-Aid Cash Balances** - NRW shall be permitted to retain and carry forward unspent non grant-in-aid cash balances which have not been expended at the end of the year to aid long-term planning. Examples of said income include timber sales and commercial income (excluding charge schemes). This is limited to 20% in aggregate of the actual income for the year.

**3.10.3 Estates Capital Reserve** – the NRW may, in addition to the amounts covered by clauses 3.10.1 and 3.10.2 above, carry forward cash balances in relation to the sale of Welsh Government Woodland Estate assets and held within the Estates Capital Reserve of up to £5 million. Carry forward of greater amounts may be permitted, but must be agreed with the Welsh Government in advance.

##### ***Managing Receipts***

- 3.10.4** If receipts realised or expected to be realised in the financial year are less than estimated NRW must ensure a corresponding reduction in its gross payments so that its authorised provision is not exceeded.
- 3.10.5** If receipts realised or expected to be realised in the financial year are more than estimated, NRW may apply to the sponsor department to retain such excess income for specified additional expenditure.
- 3.10.6** Income raised to cover depreciation and Cost Of Capital is used to fund the charge-related capital programme in the first instance. Any remaining income can be used on the wider NRW Capital Programme.

### ***Virement***

- 3.10.7** [Where the Minister identifies specific budgets in the NRW Remit Letter] NRW may reallocate funds between its various budgets as notified by the Minister in the remit letter without the sponsor department's prior written agreement with the exception of:
- No budget is increase or decreased by more than 10 percent or £100k whichever is the lesser amount
  - ring-fenced provisions set out in the remit;
  - reallocation is not between capital, near cash or non-cash budget lines; and
  - in aggregate, NRW's net payments do not exceed the total approved Budget.
- Notwithstanding the above NRW's running cost budget may not be increased without sponsor departments prior written agreement.

### ***Interest Earned on Cash and Bank Balances***

- 3.10.8** All interest, net of any bank charges, earned by NRW on its cash and bank balances which arise as a result of funding from the Welsh Government is to be declared each month on NRW's grant-in-aid drawdown request form and shall be surrendered to HM Treasury via the Welsh Consolidated Fund Government.

## **3.11 Security**

- 3.11.1** NRW shall take appropriate and proportionate protective security measures to ensure that the prime purposes of its business can be fulfilled as effectively and efficiently as possible. These measures will [seek to] protect its employees from deliberate harm, its assets, including information assets, from loss, damage or misuse, and its business activities from disruption.

This will be achieved through compliance with HMG Security Policy Framework and other legislation, HMG guidance and standards relating to information and data security.

To this end, [and in accordance with the Security policy Framework], NRW shall define key roles including a Board-level representative for Security, a

Senior Information Risk Owner and Information Asset Owners. Other posts as outlined in the Security Policy Framework will be defined where necessary.

3.11.2 The Departmental Security Officer (DSO) for NRW will be {initially} the Welsh Government DSO who will undertake a strategic role (not day-to-day engagement) to reassure the WG Accounting Officer & Permanent Secretary that NRW is managing security risks effectively and proportionately.

Draft

## Annex 4

### 4.1 List Of Government-Wide Corporate Guidance And Instructions

- this document;
- the Minister's annual Remit Letter to the NRW;
- Managing Welsh Public Money;
- the Welsh Government Memorandum "Responsibilities of a Welsh Government Sponsored Body (WGSB) Accounting Officer";
- HM Treasury's Consolidation Officer Memorandum;
- NRW's Accounts Direction;
- Corporate Governance in Central Government Departments: Code of Good Practice;
- HM Treasury's "Government Internal Audit Standards";
- HM Treasury's "Managing the Risk of Fraud";  
[http://www.hm-treasury.gov.uk/d/managing\\_the\\_risk\\_fraud\\_guide\\_for\\_managers.pdf](http://www.hm-treasury.gov.uk/d/managing_the_risk_fraud_guide_for_managers.pdf)
- HM Treasury's "Executive NDPBs - Annual Reports and Accounts Guidance";
- HM Treasury's "Departmental Banking: A Manual for Government Departments" (issued as Annex 5.7 of "Managing Public Money";  
[http://www.hm-treasury.gov.uk/d/mpm\\_annex5.7.pdf](http://www.hm-treasury.gov.uk/d/mpm_annex5.7.pdf)
- HM Treasury's "Regularity, Propriety and Value for Money"  
[http://www.hm-treasury.gov.uk/d/Reg\\_Prop\\_and\\_VfM-November04.pdf](http://www.hm-treasury.gov.uk/d/Reg_Prop_and_VfM-November04.pdf)
- HM Treasury's "Green Book – Appraisal and Evaluation in Central Government";  
[http://www.hm-treasury.gov.uk/d/green\\_book\\_complete.pdf](http://www.hm-treasury.gov.uk/d/green_book_complete.pdf)
- HM Treasury's Audit and Risk Management Committee Handbook;  
<http://www.hm-treasury.gov.uk/d/auditcommitteehandbook140307.pdf>
- Cabinet Office's "Magenta Book – Guidance Notes on Policy Evaluation";  
[http://www.nationalschool.gov.uk/policyhub/magenta\\_book/index.asp](http://www.nationalschool.gov.uk/policyhub/magenta_book/index.asp)  
<http://www.nationalschool.gov.uk/policyhub/docs/profpolicymaking.pdf>
- Cabinet Office's Code of Practice for Public Bodies;
- the UK Evaluation Society's "Guidelines for Good Practice in Evaluation";  
<http://www.evaluation.org.uk/resources/guidelines.aspx>
- UK Statistics Authority's "Code of Practice for Official Statistics" and its associated protocols;  
<http://www.statisticsauthority.gov.uk/assessment/code-of-practice/code-of-practice-for-official-statistics.pdf>

- Health and Safety Commission/Department for the Environment and the Regions' "Revitalising Health and Safety";  
<http://www.hse.gov.uk/revitalising/strategy.pdf>
- extant "Chief Executive Officer" letters;
- extant "Dear Accounting Officer" letters;
- extant "Dear Consolidation Officer" letters;
- Management letters from external auditors;
- other relevant instructions and guidance issued by the Welsh Ministers;
- those recommendations of the National Assembly's Public Accounts Committee, other Committees of the National Assembly; the House of Commons Committee on Public Accounts, other Parliamentary Committees or Parliamentary authority that have been accepted by the Welsh Government which are relevant to the NRW.

4.2 In addition, in the conduct of its business the NRW shall ensure, inter alia, that:

- it conforms with the terms of its Welsh Language Scheme where NRW has a Welsh Language Scheme. Where no such Scheme exists in NRW. NRW should conform to the terms of the Welsh Government's Welsh Language Scheme (in particular the sections on partnership working and third party working);
- its functions are exercised in a manner compatible with the Welsh Ministers' duty to promote and facilitate the use of the Welsh language as set out in the Welsh Government's strategy as published from time to time;
- its functions are exercised with due regard to the principle that there should be equality of opportunity for all people;
- it adopts and maintains a scheme, approved by the Information Commissioner, for the publication of information as required by the Freedom of Information Act;
- its functions are exercised in a manner compatible with the Welsh Minister's duty to promote sustainable development and its guiding principle of promoting social inclusion;
- its functions are exercised with due regard to the Welsh Government's Disability; Gender; and Race Equality Schemes;
- it follows the approach to openness set out in the Welsh Government's Code of Practice on Access to Information;
- it has due regard to the Commissioner for Public Appointment's Code of Practice for Ministerial Appointments to Public Bodies;
- its procurements are effected with due regard to the principles set out in the Welsh Government's Value Wales Procurement Route Planner.

4.3 As regards openness, where practicable and appropriate, NRW shall be expected to hold its meetings in public. At least one meeting per year must be an



open meeting. Where practicable and appropriate, the [NRW] shall release summary reports or make minutes of its meetings publicly available.

4.4 As regards health, safety and welfare, NRW must:

- comply with all relevant statutory duties in respect of health, safety and welfare as they relate to all its functions, projects, programmes and activities;
- require organisations that it funds and any contractors and sub-contractors to those organisations to comply similarly; and
- comply fully with UK Government policy on health, safety and welfare.

## Annex 5

### 5.1 SUMMARY OF APPROVAL REQUIREMENTS AND DELEGATION LIMITS

Subject	Delegation Limit – *Note 1
Appointment of Chief Executive	<b>Ministerial approval</b>
Staff remuneration and terms and conditions	<b>Amendments to overall terms and conditions require Ministerial approval</b>
Pension arrangements and payment of redundancy or compensation	<b>Approval of sponsor team</b>
Corporate and Operational Plan	<b>Ministerial approval</b>
Joint ventures and Wider Markets Initiative	<b>Approval of sponsor team</b>
Novel, contentious or repercussive proposals	<b>Approval of sponsor team</b>
Any borrowing, lending, guarantees, indemnities or investment	<b>Approval of sponsor team</b>
Capital projects – Flood Risk Management	<b>£5m</b> <b>Between £2m and £5m – summary documents to WG for each project.</b>
Capital projects – non Flood Risk Management	<b>£500k</b>
Non capital projects	<b>£500k</b>
Research/scientific monitoring projects	<b>£500k</b>
Consultancy contracts	<b>£500k</b>
Gifts, hospitality, prizes etc	<b>£2.5k</b>
Sponsorship	<b>£10k</b>
Losses and special payments	<b>£100k</b>
GiA cash carry-over	<b>5% of annual GiA</b>
Single Grant	<b>£500k per annum</b>
Purchase or lease of land or operational properties	<b>£5m</b> <b>Between £2m and £5m – brought to the attention of WG</b>
Provide funding to any other body to assist in the acquisition of land	<b>£250k</b>
Land purchase above District Valuer's valuation	<b>£100k</b>

**Note 1 – Interim spending restrictions imposed by WG will supersede the specified limits above.**

Draft