



9 July 2014

Paper Title	Enterprise Framework Annual Report 2013-14
Paper Reference:	NRW B B 51.14
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Purpose of Paper:	Scrutiny
Recommendation:	To note progress on the implementation of the Enterprise Framework in 2013/14 and to approve the Annual Report.
Decision Required:	Yes

Impact:	<p>Impact on the Environment: The proposed activities have been selected to have a positive impact on the environment, and quickly dismiss ideas that are likely to have a negative impact.</p> <p>Impact on the Economy: The proposed activities will make a positive contribution to jobs and growth in Wales and generate additional revenue for Natural Resources Wales to invest in the environment.</p> <p>Impact on Community: The proposed activities have been selected to have a positive impact on people and communities, and quickly dismiss ideas that are likely to have a negative impact.</p> <p>Impact on Knowledge: The enterprise framework provides an opportunity to maintain and develop business skills across the organisation.</p>
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Issue

1. This is the first annual report for the Natural Resources Wales Enterprise Framework. The report provides an overview of our how we have managed enterprise opportunities and activities throughout the year.

Background

2. Developing existing and new enterprise activities was identified as a priority for Natural Resources Wales in the Welsh Government's Remit Letter 2013 -14 and by many business stakeholders.

3. The direct management of significant land based assets and resources, together with core skills in key market sectors provides a new opportunity for Natural Resources Wales to maintain and develop new innovative enterprise activities based on the principles of sustainable natural resource management.

4. Well considered and efficiently implemented enterprise opportunities will provide useful mitigation to likely increased future pressures on Grant-in-Aid funding from Welsh Government and make an important contribution towards the Government's aspirations for jobs and growth in Wales.

Progress To Date

5. Since the Enterprise Framework was approved by the board in July 2013 we have:

- Exceeded business plan targets for supply of timber by 70,000m³, more than at any time over the last 5 years, but still within our business plan tolerance levels. We were also slightly ahead of our income target. This generated additional £400k income, despite additional expenditure and income pressures arising from harvesting a higher proportion of *Phytophthora ramorum* infected timber.
- Adopted a new approach and agreed a major long term contract with BSW Timber which will be worth more than £20 million to Natural Resources Wales and an estimated £100 million to the Welsh economy. The contract guarantees a supply of 600,000 cubic metres of larch over ten years from the Welsh Government's woodland estate. This is alongside existing contracts with BSW to supply 700,000 cubic metres of spruce over the same period. The contract will help provide stability across the timber supply chain in Wales and enable it to develop new markets for felled larch trees. This latest development has enabled BSW Timber to prepare detailed plans for expansion and investment at the mill, and will secure the long term future of this mill.

- Agreed a 5 year long term contract to supply 250,000 cubic meters of larch to Euroforest , which will be worth £25million to the Welsh economy.
- Worked with the timber industry and the Welsh Government Cross Departmental Working Group on Timber (chaired by Peter Davies) to develop new markets and acceptance for the felled larch in the construction industry to build new homes in Wales.
- Focussed not just on the mainstream timber industry, but also smaller businesses. Our esales/ebusiness package enables both large and small customers to trade with us. For example, we have sold some of our specialist timber such as Western red cedar to a company that manufactures beehives in Ceredigion and another that makes Camping Pods in Gwynedd. We seek to develop more niche markets in future.
- Progressed the Pen y Cymoedd wind energy project to the stage where the first foundations have been laid for the 76 turbines at the £400m site in Neath Port Talbot and Rhondda Cynon Taf. Vattenfall, the developer behind the largest onshore wind farm project in England and Wales has awarded two new multi-million pound contracts to supply chain companies. The contracts, both understood to be seven-figure, are with Neath-based Express Reinforcements and Prysmian Cables & Systems' Wrexham manufacturing facility. Vattenfall has encouraged local firms to bid for contracts and sub contracts, and 12 months into the four-year construction programme has already awarded £45m of contracts to Wales-based businesses. More than 50 companies and 600 jobs in Wales have been supported by the project, which is expected to be worth up to £1bn to the Welsh economy over its 25-year lifetime.
- Identified preferred bidders for 162 of the 172 Micro Hydro sites identified on the land we manage. Of the remaining ten, only five are likely to be feasible. These will be tendered in 2014-15. We are working with developers to construct at least five schemes in 2014-15.
- Secured £2,545,000 of other commercial income through sales of surplus land, Car Parking, Visitor Centres, Woodlands and You permissions, etc. This broadly in line with 2012-13 (£2,592,000) excluding the one-off payment from the MSA for the Wales Rally GB last year.
- Identified all potential commercial / affordable housing sites from the March 2013 housing review.

- Identified all our coal reserves and are ready to tender at a time that provides a satisfactory economic return. Currently coal prices are at a low ebb due to increased supplies of natural gas from unconventional gas activity in the USA.
- Completed the feasibility study for Woodland Creation Through Carbon Off-setting. Grant funding (including the Nature Fund) and sales of carbon credits to private industry provides a unique opportunity to create woodland and assist in reaching the Welsh Government planting targets and also to promote use of the UK Woodland Carbon Code. At the same time Natural Resources Wales can secure a source of income from private sector clients through sales of carbon credits. The projects will be monitored and audited via the UK Woodland Carbon Code. Natural Resources Wales will have more woodland in which to base commercial activity, such as mountain biking for example, and a source of future timber revenue. Natural Resources Wales will be pioneering a payment for ecosystem services approach to woodland management and assisting in regenerating areas that will benefit from improved green space. Such community assets will attract economic activity and contribute to the health and wellbeing agendas of Welsh Government. As of April 2013, it is obligatory for all listed companies to report their carbon emissions in company accounts. Prospective purchasers of the credits may include companies such as Ford Motors and Iceland foods. Projects can also be lodged with the Environment Bank and Forest Carbon who match projects with funding. We are in active negotiation with an international company at the moment regarding a project at the Llynfi Valley.
- We have been working closely with the Department of Culture Media and Sport and Welsh Government on the Mobile Infrastructure Project which is being delivered via DCMS' partner Arqiva. This project will deliver £150 million of new infrastructure in Wales to cover 'not-spot' rural areas that do not have basic 2G coverage. We anticipate that a significant proportion of sites will be given coverage due to infrastructure placed on the land we manage. The project is due to be delivered by March 2015 and we have provided all necessary information to Arqiva and await notification of where they wish to site apparatus.
- Identified all of the shooting and fishing rights that we hold on the estate, and are in the process of qualifying them for suitability prior to offering them to the market. In advance of the overall offer we have been responsive to demand and have already let shooting rights to a country house hotel and shoot in Powys, to support the hotel and its sporting business. This could be worth up to £20,000pa to NRW when fully developed, in addition to the knock-on economic benefits in the local economy.
- Exceeded our income target from venison sales - £51,000, against a target of £43,000.

- Secured S83 agreement from Welsh Government for Forest Holiday sites to be developed on the estate.
- We secured the “Keep Wales Tidy” Green Coast and the Smart Coast bathing beach microbiology analysis with an approximate income of £25k. We have also on an ad hoc basis carried out analysis for a local firm who was a previous user of our service when EA Llanelli carried out commercial work.
- Ruled out the possibility of housing development in the Neath/Port Talbot Local Development Plan. The local authority have decided not to develop housing in the area where we had availability of land. We will seek out opportunities elsewhere as and when LDPs are up for review.
- Captured and prioritised a significant number and range of ideas for new enterprise activities from the Chairman, Board Enterprise Group, Chief Executive Officer, Executive Directors and staff.
- Regularly refreshed the Income pipeline (see Annex 1).

Proposals and Next Steps

6. The Board is invited to comment on the progress to date. and note the following proposals for priorities in 2014-15:

- Facilitate Forest Holidays in submitting planning applications for two sites in Wales.
- Renegotiate the Wales Rally GB contract.
- Complete enterprise feasibility studies for Field Sports, Motor Sports, Value Added Timber,
- Realise £1,200,000 income from sale of agricultural land.
- Progress our Wind Energy Programme to plan, and consider opportunities in the wider sustainable energy sector such as considering distributive energy generation (solar panels linked to grid at Pen y Cymoedd)
- Deliver income targets in line with budget.
- Develop innovation capability within Natural Resources Wales through facilitated workshops.
- Develop the Natural Resources Wales Laboratory Information Management System to expand its commercial activity for marine sediments analysis.
- Review and expand our Woodlands and You permission process to make it easier for social enterprises to engage with Natural Resources Wales.

Risks

7. The enterprise framework provides a logical, structured and transparent approach to enterprise development, minimising the risk of pursuing inappropriate activities.
8. The framework is designed to quickly highlight and guide the management of reputational risks associated with dealing with emerging and potentially controversial activities, such as the extraction of unconventional gas.
9. The main risk relates to the potential for the organisation to rely on over-ambitious additional revenue aspirations in its forward planning. This is mitigated by setting clear priorities in the Corporate Plan and Business Plan, as well as the proposed forecasting and reporting methodology.

Financial Implications

10. There are no additional financial resources associated with the initial implementation of the proposed framework. Two FTE's (£80k) are likely to be required in the medium term to focus on priming and marketing activities, but these costs should be recoverable through additional revenue in the longer term.

Legal and Compliance Issues

11. There are no statutory or legal issues associated with the implementation of the proposed framework. We will continue to operate intra vires, and continue to be alert to new business activities that may be ultra-vires, taking opportunities to discuss these with other Directorates and Legal Services at the earliest opportunity.

Communications

12. Internal Communication of Enterprise initiatives has thus far been through cross-directorate working groups and fora. There are plans to hold Innovation workshops this year supported by members of the Enterprise sub-group.
13. Externally, we have supported and presented at events held by Welsh Government, The Institute of Chartered Foresters, UKFPA, CONFOR, etc. We have held regular meetings with our customers and officers of trade bodies that represent them. We have been very active in working with a wide range of public, private and third sector organisations such as Coed Cymru, RICS, CAAV, National Trust, Local Authorities, Farmers Union of Wales and National Farmers Union, National Young Farmers Association, Crown Estate, The Woodland Trust, The Land Trust, Ford Motors, TATA, Welsh Bee Keepers' Association, NHS, RenewableUK Cymru etc.

Equality impact assessment (EqIA)

14. No EqIA is required for this paper

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Annex 1 - Enterprise Framework Pipeline