

Board Paper

7th May 2015

Paper Title	NRW Business Case – Progress Report
Paper Reference:	NRW B B 31.15
Paper Sponsored By: Paper Authored By:	Niall Reynolds Richard Ninnnes

Purpose of Paper:	To update the Board on progress against the business case and realisation of benefits
Recommendation:	To note the update on progress in delivering benefits
Decision Required:	None

Impact: on the Environment: on the Economy: on Community: on Knowledge:	<p>The work of the Transition team and elsewhere has led to the delivery for NRW its own standalone capability and the start of the process to realise the benefits envisaged within the business case.</p> <p>The benefits are better value for money, delivering better for Wales and achieving better outcomes for the environment, people and businesses in Wales.</p>
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Purpose of this paper

1. This paper reports on progress made towards delivering the benefits of Natural Resources Wales in our first two years. It will focus on the key highlights and in doing so will provide material to support the Environment and Sustainability Committee scrutiny session in May.
2. This paper is a preview of a fuller report that will describe the two year transition phase and capture the successes, lessons learnt and experiences along the way. The full report will support our contribution to the Wales Audit Office value for money study and to supplement communications to wider audiences on delivery of NRW as a standalone organisation.

The context

3. The creation of Natural Resources Wales and implementation of the Business Case comprise a central component of the Welsh Government's strategy for natural resource management. The Welsh Government's Business Case set out 3 broad investment aims for Natural Resources Wales: better delivery for Wales; better outcomes for the environment, people and business; and value for money. The overall aim was to move to a future system that simplifies and joins-up our approach to protecting and managing our natural resources.
4. The Business Case estimated an economic benefit of £158m over our first 10 years and enabling and implementation costs of £69m. It estimated about 60% of the benefit would come from reducing dependence on the Forestry Commission and Environment Agency. The rest was to come mainly from rationalising common corporate activities and by building systems and processes that are more efficient. The Business Case requires that most of this is cash realisable (£127m), but a proportion can come from non-cash realisable improvements in productivity (£31m).
5. Welsh Government agreed a profile for annual and cash and non-cash realisable savings in April 2013, based on the Business Case, but revised for a faster separation from legacy body systems. Table 1 shows these so called 'revised business case' figures.

Table 1 – Revised Business Case – Annual cash and non-cash realisable savings

£,000,000	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	10 Year total
Cash Realisable	-2.7	7.7	13.0	13.9	14.7	15.6	16.1	16.1	16.1	16.8	127.1
Non-cash Realisable	1.8	2.8	2.9	2.7	3.4	3.4	3.4	3.4	3.4	3.4	30.9
Combined	-0.9	10.5	15.9	16.6	18.2	19.0	19.5	19.5	19.5	20.2	158.0

Creating the foundations – Change Programme

6. The Welsh Government's Living Wales Programme created Natural Resources Wales and began the transition from the legacy bodies, but we remained highly dependent

on legacy systems, procedures, terms and conditions and approaches. The Living Wales Programme spent £12.4m of the enabling and implementation costs.

7. Now at the end of the first two years, our Change Programme has completed the transition phase. It has built our standalone capability, unified our organisational infrastructure and started developing the new approaches that will deliver better outcomes. The Change Programme has created the foundation for our organisation and done so in ways that have already achieved most of the annual savings required. The transition team led and coordinated the work of 24 programmes with over 117 projects to separate our systems from the Forestry Commission and Environment Agency, build our own capability, unify terms and conditions, integrate within new structures and start developing new approaches to natural resource management. The Change Programme has spent a further £34.2m of enabling and implementation costs covering programme and VES costs.

Standalone capability:

8. This strand of our work aimed to reduce the dependency on the legacy bodies and to create a standalone organisation that had control of its own systems, processes and infrastructure.
9. We have exited from 29 out of the 40 transitional services provided to us by the FCGB and EA, with the rest scheduled to end within 2 years, mostly in March 2016. We reduced annual payments to EA and FCGB for services from a baseline of £21m down to £8.5m for 2015/16 and are on track to reduce it to £5.5m for 2016/17.
10. In line with our ICT strategy, we have established lean ICT services based around Microsoft cloud services. We achieved a massive rationalisation of 1600 legacy business applications into a more fit for purpose, simpler and cost effective suite of 400 applications. These will be further reduced in number as we continue to transform our ICT capability.
11. We established our own Customer Care Centre, created our own Analytical Services in Llanelli and have built up our technical expertise instead of relying on expertise located in England and Scotland.
12. Our new website and the Customer Care Centre give our customers clear points of contact and an increasing number of online services, such as registration of waste and water exemptions, hazardous waste registrations and waste carriers and broker's permits.
13. We created a cloud based system for data and records management (DMS) and a new intranet for internal communications and publishing.

One organisation:

14. In partnership with the trade unions, we unified terms and conditions in a new reward package for staff. We restructured to integrate our functions, create place based teams and complete the process of creating single corporate service teams.
15. Our integration was boosted by getting all of our staff onto a common Natural Resources Wales ICT network at the end of 2015. This also allowed us to implement

a single file plan for the whole organisation that will drive integration of working practices.

16. Our new Enterprise Resource Planning system (MyNRW) was also a major step in bringing the key organisational finance and human resource information into one place allowing improved management information to be provided. It also is the first system that brings the whole organisation together and will help to develop a common approach to managing budgets and other resources.
17. We made good progress rationalising our accommodation and depots with a programme of quick wins that have reduced annual costs and helped bring staff together.

New approaches:

18. We started developing the new natural resource management approach, including 3 trial areas to help inform the Environment Bill. We will continue embed Natural Resource Management within our ways of working as part of our transformation portfolio.
19. We have already re-engineered processes, taking new, leaner and more efficient approaches. For example, the collection and analysis of water samples is now integrated into one system (Starlims) instead of five and will start using mobile devices in the field. Other examples include Hydropower permitting and our planning advice service. Continuous improvement techniques will be a key tool in the delivery of the efficient service review transformation programme.
20. Our new ground breaking cloud based GIS system has enabled us to bring together previously disparate data and information into one place and will be a crucial tool for managing and analysing the spatial information that we need to integrate in support of natural resource management.

Benefits: Business Case progress

21. In addition to the delivery of the changes required to deliver a standalone organisation we have established a robust framework for tracking the realisation of benefits. Our Benefits Realisation Plan sets out our strategy for achieving the Business Case benefits and a framework for planning and monitoring progress. Our Benefits Scorecard tracks indicators of success and our Benefits Register documents planned benefits and evidence of achievements.
22. We have 65 benefits in the register, ranging from big programme interventions down to local examples of how Natural Resources Wales is joining up to deliver better customer service and achieve outcomes that were not possible before. The sections below describe some of our key benefit highlights and how they are delivering the Welsh Government's investment aims for Natural Resources Wales.

Better outcomes

23. Although we have yet to unlock the full potential of Natural Resources Wales and environmental change is slow, we already have many examples of better outcomes

for customers and businesses and where new approaches will give better environmental outcomes.

24. Our Corporate Plan and Business Plan have replaced 8 separate plans and aligned our work into a single set of integrated priorities for the environment, people and businesses. We had extensive consultations with stakeholders to understand their priorities and help shape our plans around priorities for Wales.
25. We are advising with a single voice and regulated customers are benefitting from a more joined up approach to assessing and determining permit applications. Having a single voice is helping us work with stakeholders where our interest used to be split between legacy bodies, for example at Newborough where we have the dune National Nature Reserve and forest management.
26. 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. Customers are also benefitting from the transfer of service delivery into Wales, for example our improved relationships with reservoir managers.
27. 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.
28. The creation of NRW and the pooling of our expertise and remit has made it possible to explore integrated natural resource management in the 3 trial areas on the Dyfi, Tawe and Rhondda. It has also enabled more streamlined and effective responses to development proposals, for example the contaminated land that Snowdonia Surf needed to address as part of its development at Dolgarrog. It is also helping environmental management aspects our own operations, for example our harvesting teams now work more closely with our water and protected species specialists to agree safeguards more quickly and avoid the delays to harvesting contracts that were once common.
29. We have increased the resilience of our flood response capability at no extra cost by training extra staff in legacy FC and CCW roles to join the duty rotas with staff from EA. This enabled us to cope with some of the worst storms in living memory over the 2013/14 winter period.
30. 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.

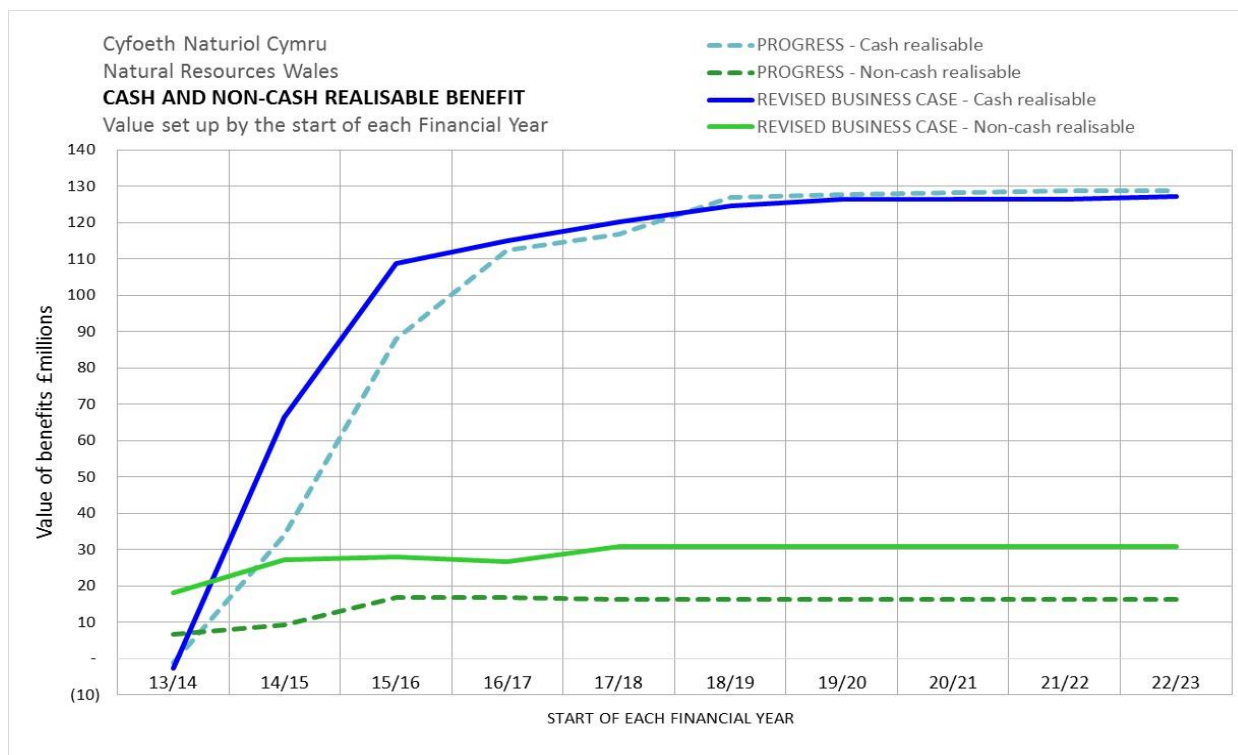
Better delivery for Wales

31. As a result of being a single Wales organisation our plans and priorities are now focussed on Wales.
32. We have taken different approaches to activities such as hydropower permitting that address priorities and circumstances in Wales. 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.

33. The setup of our NRW ICT services, analytical services and the customer care centre has created and safeguarded 58 high quality jobs and created 9 apprenticeships in Wales. Building our technical specialist capability has brought at least 16 high quality jobs in to Wales.
34. The permit review under the Industrial Emissions Directive for the integrated steel works in Port Talbot was an example of the advantages NRW has in delivery of complex projects over the predecessor organisations. NRW was able to provide advice and guidance more speedily, focus Tata on environmental improvements and allow Tata to optimise the investment to achieve the greatest environmental benefit. Having an integrated project team approach allowed Tata certainty of investment by being able to identify projects early, secure certainty of investment and thus achieve benefit for the economy in Wales.

Better value for money

35. From vesting day on 1 April 2013 we have created savings worth £10.9m per year compared with the baseline. We estimate that other changes in the pipeline on 31 July 2014 will increase the net annual savings to around £19m per year by 2018/19.
36. Overall, we forecast that the accumulation of cash-realizable savings created or in the pipeline will achieve the Business Case target of £127m over the 10 years to 2022/23. The big contributions to this cash target include:
- Reducing non-ICT service payments to EA and FCGB by £11m per year.
 - Delivering our standalone ICT services for £6m per year instead of the £8m baseline.
 - Our rationalisation of accommodation that has already saved £0.3m per year.
 - The new Enterprise Resource Planning system that costs £1.9m less to run per year.
37. Although it is early days for significant improvements in productivity, we forecast that efficiencies already made will accumulate to give approximately £16m of non-cash realisable benefit over the first 10 years up to 2022/23. For example a LEAN process improvement project on our sample collection activity realised at least £0.3m per year in greater productivity and saving over 200,000 car miles per year.
38. The Transformation programme will improve productivity in many more parts of the business over the next 2 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 £31m non-cash realisable benefit.
39. The graph below shows progress in setting up the cash and non-cash realisable benefit against the profile predicted by the revised business case (Table 1). The dashed lines show forecasts based on savings delivered and savings due from other changes underway. The blue dashed line profile shows how the cash realisable benefit is forecast to be delivered. It is behind profile in the early years but we predict that it will reach the target amount. The dashed green line shows how we have set up half the non-cash realisable benefit already during transition and before we have moved into transformation.



40. The Wales Audit Office will undertake a detailed review of the Value for Money elements of the business case and they will assess progress against the benefits identified within it. We are well placed to demonstrate good progress and achievements against the targets in the business case.

Transformation and our Road Map

41. In spite of the many successes of the first two years the pace and rate of change has been demanding and in some cases staff have found the journey uncomfortable. This was evident from the responses from staff as part of our recent our staff survey.
42. We are now stepping off on a similarly ambitious phase of change that aims to establish NRW as a world class organisation delivering Natural Resource Management for the benefits of people, businesses and the environment in Wales.
43. We have set out the journey in our Roadmap and are now establishing the structured framework that will allow us to deliver all that is needed to see NRW become a high performing organisation.
44. It is critical that the new Roadmap is able to provide a more measured pace of delivery and that it is now more important than ever that staff are engaged in the transformation process in order that they are part of the continued development of NRW and develop the new culture and ways of working.
45. We are now developing the detailed programmes and projects that will sit under the transformation portfolio and progress in the delivery of the portfolio will be reported to the board in due course.