



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

# Annual Report and Accounts

2019-2020



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# Chair's foreword

I write this foreword to Natural Resources Wales' (NRW) annual report for the first time since officially becoming substantive Chair in November 2019 having been interim since November 2018.

I also write it against the backdrop of an unprecedented global health crisis. The coronavirus (COVID-19) pandemic is having a huge impact on people's lives, and in many places, it is having tragic consequences too.

This reporting year already feels like such a long time ago. It was a year where NRW saw many successes but also had to rise to significant challenges.

The exceptionally wet winter period and February's flood events were significant in their impact to families and businesses right across Wales. Every property flooded is a personal tragedy and NRW's thoughts are with those who have not been able to return to their homes or business premises ever since.



Sir David Henshaw

NRW's dedicated and experienced incident response teams were out in force before, during and after the storms, working closely with local authorities and emergency services around the clock to prepare and respond to the events.

The Met Office later confirmed that February 2020 was the wettest February on record.

Overall, our defences worked well and evidenced the huge strides we've made in improving Wales' resilience to flooding over the decades. Our forecasting is better and our modelling has improved, meaning that the potential impact of severe storms has been significantly reduced.



NRW staff dealing with Storm Ciara in Llanrwst

But there is much that we can learn from these events. We undertook a comprehensive flood recovery and review, working alongside local authorities and partner agencies across Wales to learn from the effects of the storms, and published our findings in October 2020.

The scientific consensus is that our climate is changing and extreme weather events like those experienced this winter will become more common. Helping communities across Wales to recover from these events – and working to make Wales more resilient in future – will be a challenge that we will tackle head on but is one that can only be surmounted by working in partnership together.

Away from flooding, I have been pleased with the completion of the reorganisation of the entire organisation to a place-based model, ensuring a more local approach and closer links to the communities we serve.

In collaboration with stakeholders, the first seven Area Statements covering Wales’ land and inshore marine area were published. A key milestone in the implementation of the Environment

(Wales) Act 2016, these statements will support the implementation of the Welsh Government’s Natural Resources Policy (NRP), informing and enabling delivery across Public Services Boards, and help us and others to focus resources on areas of most benefit. We also published our interim second State of Natural Resources Report which will assist the Welsh Government with the development of the next NRP and describe new and emerging issues that can be tackled at a national scale.

Through the timber sales governance project, we have been addressing the issues that led to our accounts qualification in previous years. There is still more work to do to ensure that the new ways of working are fully embedded, and the Board will continue to ensure that this happens. But we have made good progress and I am confident that working together with our teams and partners, we can learn from and put these challenges behind us.

We continue our work to reverse the decline of biodiversity, sustainably manage water, manage the Welsh Government Woodland Estate and create new woodland. We also continue to work with



partners to promote health and wellbeing outcomes in the environment, to tackle illegal waste, respond to wildfires and to serve our local communities by enabling the responsible and sustainable use of natural resources.

The Welsh Government's declaration of a climate emergency last year signalled a clear call for collective action in the quest for environmental growth.

Today, our response to the climate emergency – to facilitate the uptake of renewable energy and decarbonisation – remains a key priority and the importance of this is brought to the forefront in our 2020/21 Business Plan.

Moreover, the coronavirus pandemic has brought into sharp focus the need to find a path towards a truly green recovery.

As Wales' largest environmental body, Natural Resources Wales is determined to shape this green re-awakening and inform the wider societal discussion through serious and sustained action and collaboration both here in Wales and at a global level. That is why I was pleased to accept the invitation from the Minister to lead a Green Recovery Task and Finish Group, made up of a number of senior executives from public, private and third sector organisations across Wales. The Group has overseen the preparation of an independent report on the challenges facing the environment third sector in Wales with a series of recommendations to build the resilience of the sector in the months ahead.

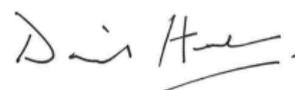
A second report sets out the prioritised actions that will deliver multiple benefits for the nature and lead climate emergencies, and the circular economy driving real opportunities for jobs and skills development for those communities hit hardest by the pandemic. I am delighted that the Group has committed to continue working together, to lead the delivery through a Green Recovery Delivery Partnership.

Every week I continue to be impressed by the commitment, expertise and passion demonstrated by our staff, which is why I know NRW will continue to go from strength to strength in the future.

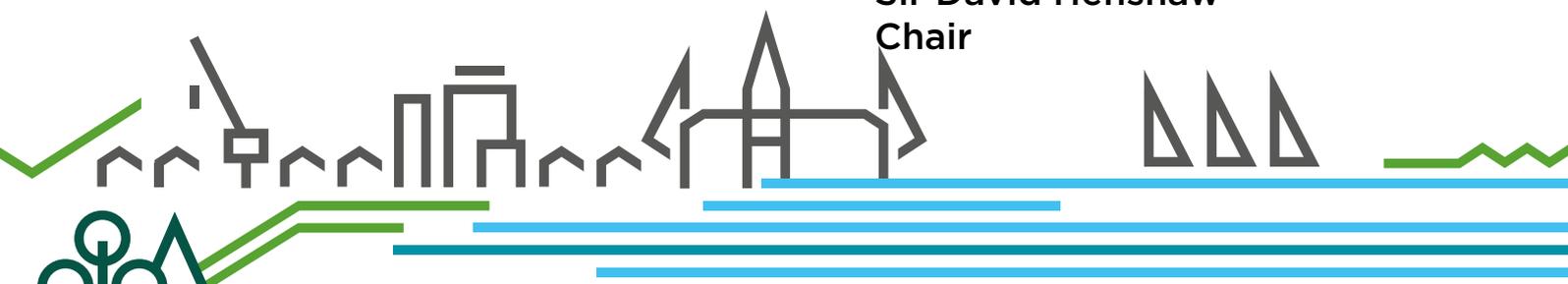
Yet we continue to operate in increasingly challenging and uncertain times.

Alongside everyone else, we have had to rise to the challenge of working and delivering our key services during a global pandemic. We are also working closely with partners and Welsh Government on post-Brexit planning and policies and I am confident that, despite the current pressures all public bodies face at this time, the organisation will continue to deliver its aspirations for Wales, our environment and our communities.

Our destination is firmly set. We are an organisation that is working hard to build trust within our communities, that is valued by our stakeholders, and that is a motivating and inspiring place to work for our employees. I thank them all for their dedication and look forward to another year of achievement and rewarding work.



**Sir David Henshaw**  
Chair



# Performance Report

## Overview

Over the following pages our Chief Executive, Clare Pillman, offers her perspective of our performance this year and we outline the purpose of our organisation, our main roles and responsibilities, the key risks and issues we face, as well as explaining how we have managed delivery of our objectives this year.



Clare Pillman

## Chief Executive's statement

When I prepared this statement for last year's report, I wrote of the many challenges we faced as an organisation. Fast forward one year and as I write this now, we face the biggest challenge to society, our health and our very way of life for many generations.

The COVID-19 outbreak won't feature a great deal in this report, arriving as it did so close to the end of the performance year. But I must note here that our teams were quick to adapt to the wholesale change to the way we work. I've been amazed at how resilient they've been, how their enthusiasm continues to shine through and how they've found innovative new ways to ensure our important programme of work continues.

Shortly before the World Health Organisation declared a global pandemic, our organisation's incident response was put to the test during the worst flooding we've seen in Wales in over 40 years.

In quick succession, Storm Ciara and Storm Dennis caused widespread devastation and misery to many Welsh communities, with rivers such as the Elwy in St Asaph and the Taff at Pontypridd reaching record-breaking levels. This was an exceptionally busy and testing time for our staff, but once again the dedication and commitment of our incident response teams made me incredibly proud. As with all significant

flood events, we review what happened and seek to identify what lessons can be learnt. We published our findings in October, and have already implemented several key improvements.

### Key developments

When I reflect on last year, my second as Chief Executive, I think of the huge strides we've made to bring us closer to where we want to be as an organisation.

In the summer of 2019, we completed our ambitious change programme, moving to a 'place-based' model allowing delivery of our key services at a more local level.

In line with this, we published our first Area Statements for Wales. The Area Statements outline the challenges facing each place, and the opportunities, and identify how we will work with others – NGOs, communities, businesses – to better manage our natural resources for the benefit of future generations.

We are already seeing the benefits of working in this way and collaborating with others to find more holistic solutions to the challenges we all face. I see the Area Statements as fluid, continuously updated and improved upon as we engage with more people, gather new evidence and create further opportunities.

I am particularly pleased to welcome two new Executive Directors, Rachael Cunningham, Executive Director of Finance and Corporate Services, and Sarah Jennings, Executive Director of Communications, Customer and Commercial.

Further progress has been made in improving our Timber Sales Governance following the Grant Thornton report into the commercial side of our timber operations. We have put in place new teams and structures, new policies, procedures and training for staff, refreshed our governance frameworks, implemented new contractual terms and conditions for timber sales contracts and have started to develop a new Timber Marketing plan.

I'm under no illusion what a significant hurdle this has been for NRW, and complacency is not an option. We know we have more work to do to rebuild and nurture those relationships with the industry and to deeply embed the improved processes and ways of working into the fabric of the organisation, and both the new directors are playing leading roles in taking this work forwards.

Since I first took up my role, it's been my ambition to make NRW an organisation that our staff are proud to work for. I know from previous experience how difficult it can be to embed new culture into an organisation, but I'm pleased at where we are at on this journey.

Last year we relaunched our staff values, and this year we've introduced a staff



induction programme to welcome new starters into the organisation. I've heard some great feedback from these sessions already from our newest members of #TeamNRW.

## Looking forward to an uncertain future

While this remains a worrying and uncertain time for everyone, I am optimistic about the future of our environment here in Wales. Since the Welsh Government declared a climate emergency in the summer of 2019, we've seen a wave of action from individuals, businesses and the public sector - all making significant changes to the way they live their lives or do business for the benefit of the environment.

Of course, at the moment health and economic issues are right at the top of people's priorities, and that is entirely understandable. But for the first time, the environment and the climate crisis are up there too, and whatever happens in the coming months I don't think that is going to change.

The climate and nature crisis remain very real. Our environment and wildlife continue to be threatened by the effects

of climate change and urgent action is needed if we want our children and grandchildren to be able to enjoy them in the same way we have.

This is top of our agenda at NRW, and where we will be focussing our efforts in the coming year. We know we can't do this alone, but we will continue to drive the change we want to see, to involve others and to keep the conversation going.

Over the last few months, we've all had to make significant changes to the way we live our lives. We've changed our habits, our behaviours and our lifestyles. And while this current situation is unsustainable for many - and for the economy - I hope that before we all throw ourselves back into normality, we consider what we want the new 'normal' to look like.

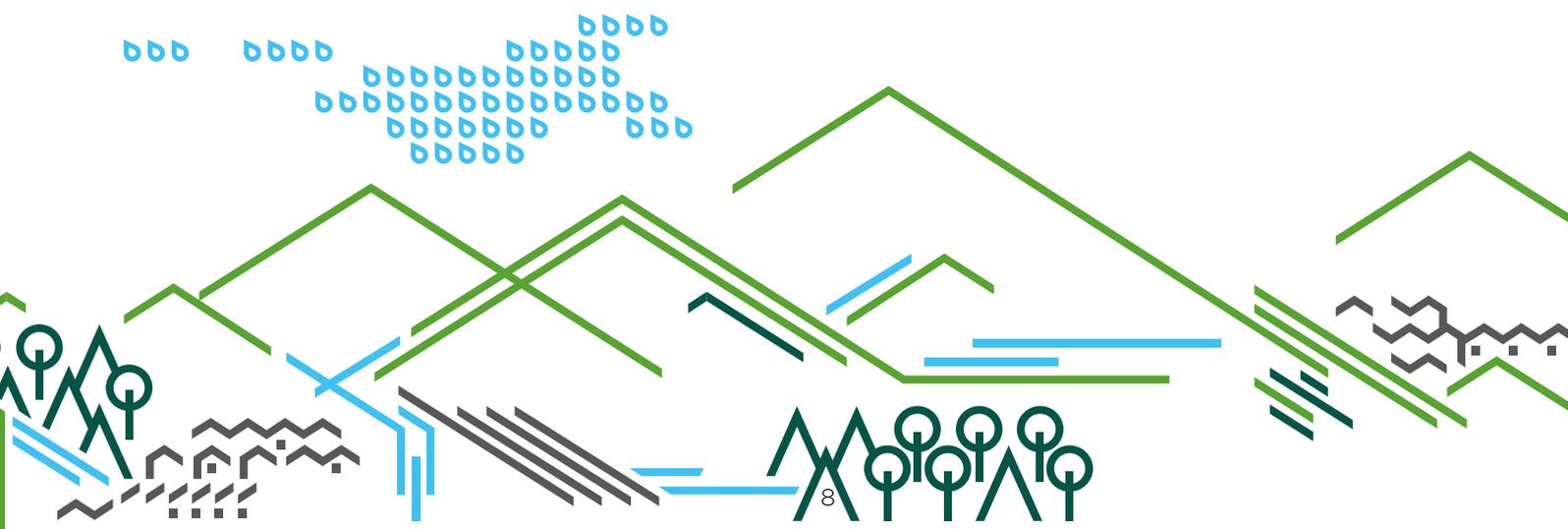
Ultimately, the decisions we make now on how we want to live our lives once we emerge from this period could yet have a significant positive influence on the climate change and nature emergency situation, and we shouldn't underestimate the power of that.



**Clare Pillman**

**Chief Executive and Accounting Officer**

**25 November 2020**



# Introducing Natural Resources Wales...

We are a Welsh Government Sponsored Body. Our core purpose is to pursue the Sustainable Management of Natural Resources (SMNR) and apply the SMNR principles as set out in the Environment (Wales) Act 2016. Wales is the first country in the world to create a single organisation that brings together many of the tools needed to help manage our natural resources coherently and in an integrated way.

Natural resources in Wales are fantastic - rugged mountains and woodlands, beautiful landscapes and coastlines, and amazing wildlife. They are vital for our survival and provide us with the basic things we need to live: clean air, clean water and food. They create jobs for thousands of people like farmers, foresters, and tourist operators, creating wealth and prosperity.

## Our roles and responsibilities include:

**Adviser** to the Welsh Government and to industry, land owners/managers, the wider public and voluntary sector

**Regulator** of industry and waste sites, marine, forests and Designated Sites to protect people and the natural environment

**Designator** for Sites of Special Scientific Interest (SSSIs), Areas of Outstanding Natural Beauty (AONBs) and National Parks as well as National Nature Reserves (NNRs)

**Responder** to over 7,000 reported environmental incidents a year as a Category 1 emergency responder

**Statutory consultee** on over 7,000 planning applications a year

**Manager** of 7% of Wales' land area, including the Welsh Government Woodland Estate, National Nature Reserves, flood defences and running recreation facilities and an analytical laboratory

**Partner, educator and enabler**, supporting and facilitating other organisations' work and helping people learn in, about, and for the natural environment

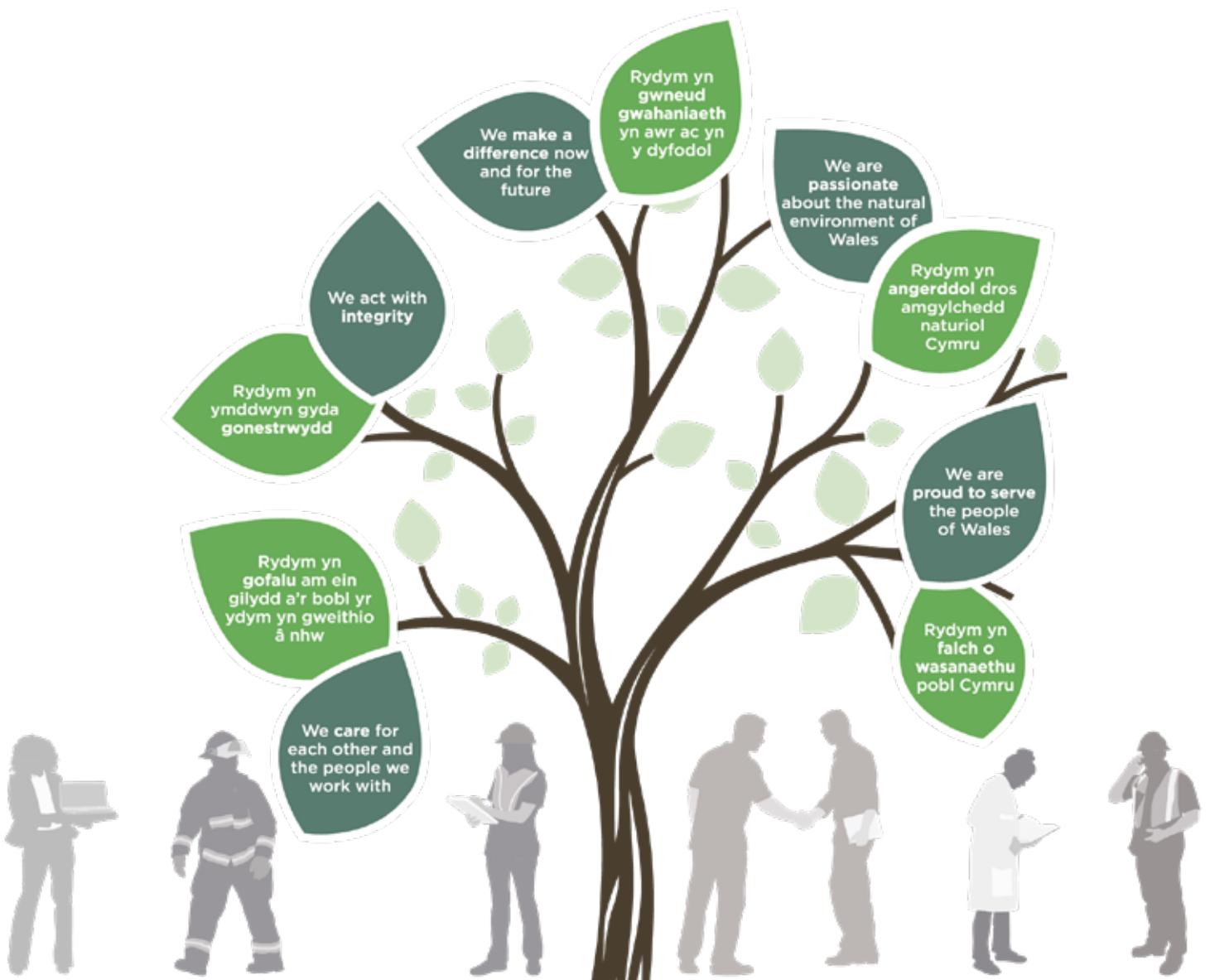
**Evidence gatherer** monitoring the environment, commissioning and undertaking research, developing and sharing knowledge and holding public records

**Employer** of over 2,000 people, with a budget of over £200m

## Our values

Our values are central to our culture at Natural Resources Wales - reflecting the kind of people we are - and what it means to be a part of #TeamNRW:

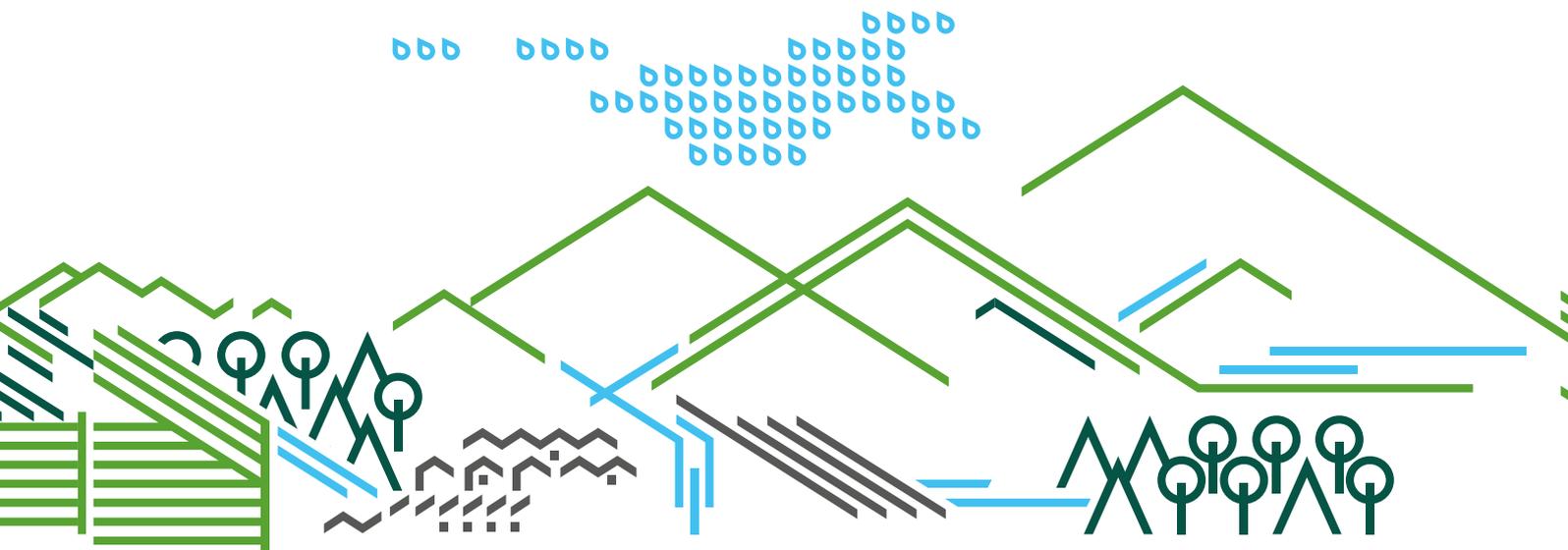
- We are passionate about the natural environment of Wales
- We care for each other and the people we work with
- We act with integrity
- We make a difference now and for the future
- We are proud to serve the people of Wales



## Our objectives

Our primary obligation is to fulfil our statutory responsibilities and to meet the aims established for us by the Welsh Ministers. Our key duties are set through a long-term outcome approach of our Well-being Objectives and shows our contribution to Wales' Well-being Goals. We have used these to structure our five year Corporate Plan to 2022 and our annual activities within our Business Plan. Our core objectives are as follows and we have used these to structure the performance information in this report.

- Champion the Welsh environment and the sustainable management of natural resources
- Ensure land and water in Wales is managed sustainably and in an integrated way
- Improve resilience and quality of our ecosystems
- Reduce the risk to people and communities from environmental hazards such as flooding and pollution
- Help people live healthier and more fulfilled lives
- Promote successful and responsible business, using natural resources without damaging them
- Develop NRW into an excellent organisation delivering first class customer service



# NRW in numbers 2019/20

**Champion the Welsh environment and the sustainable management of natural resources**

**1,413**

staff trained in SMNR

Member of all **19** Public Services Boards in Wales

**Ensure land and water in Wales is managed sustainably and in an integrated way**

Processed

**4,284**

environmental permits

UK Woodland Assurance Standard accredited

Manage **7%** land in Wales



**Improve resilience and quality of our ecosystems**

Responsible for the **12** nautical miles from the coastline



Issued **1,527** species licences

Manage **58** National Nature Reserves

**Reduce the risk to people and communities from environmental hazards such as flooding and pollution**

Maintain **319** miles of flood risk defences

**127,836** properties are registered to receive our flood warnings

Received reports of **7,677** environmental incidents

**Report It!**

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## Help people live healthier and more fulfilled lives

Manage **42** mountain bike trails

Manage **5** visitor centres

Facilitate an estimated **3 million** visitors each year to some of our most popular larger sites

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## Promote successful and responsible business, using natural resources without damaging them

Responded to **7,323** planning consultations

**£25.2m** timber income

**62** prosecutions for environmental offences

## Develop NRW into an excellent organisation delivering first class customer service

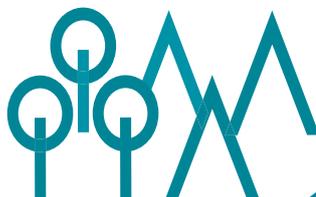
Achieved Silver Corporate Health Standard

**152nd** on Stonewall's Workplace Equality Index  
ISO14001: 2015 certified

**5.3%** Gender Pay Gap

**2,187** employees

**£204.5m** budget



## Managing the risks and issues we face

As an organisation with diverse roles and responsibilities, we are managing several key risks and issues to mitigate their impact on the delivery of our work. As outlined later in our Governance Statement, risks to delivering our objectives are identified, assessed, managed, reviewed and recorded through risk registers at various levels of the business.

Performance measures in our Business Plan dashboard include areas of work that contribute to our Well-being Objectives. We are ambitious in our planning - recognising the accompanying risk to delivery that this entails if strategies or plans subsequently need to adapt in year. Overall, as part of our Business Plan dashboard we aim to achieve an appropriate balance of measures including performance risks, Well-being Objectives and business priorities. Where Business Plan measures are needed, and delivery details are uncertain (typically for new/developing work areas), our targets aim to reflect this by requiring progress updates at anticipated key points in the year.

The following key risks are highlighted on our strategic risk register:

- Failure of Assets - Due to the complexity of our assets (e.g. flood assets, reservoirs, Welsh Government woodland estate, National Nature Reserves) and the impact a failure could have on the general public, we put a lot of effort into managing our assets to agreed standards. Reducing the potential for asset failure through regular and robust inspection, maintenance and monitoring programmes is a priority as this will help ensure the safety of the people we are here to protect.
- Health, Safety and Wellbeing of our staff, contractors and visitors - We have a varied and complex range of high-risk operational work. As an example, our forestry work carries significant health and safety risks, particularly during harvesting works and this is recognised across the sector by the Health and Safety Executive. We provide training and support for staff which is underpinned by the policies and procedures we have in place. Risk Assessments are in place and also a Health and Safety Strategy which includes future planned action. During 2020/21 we will work towards achieving ISO45001 accreditation.
- Compliance (with internal policies and processes and external regulations) - Poor compliance compromises our ability to deliver our objectives and our obligations and exposes us to financial and reputational risks. The leadership of NRW is committed to driving up compliance: we are reviewing our processes and have put in place a plan to improve all aspects of compliance.
- Finance - There is a risk that NRW will not have the funding it requires to deliver its obligations after 2021/22. Significant work is being undertaken to improve internal processes enabling better budget management and forecasting. We will continue to liaise with Welsh Government, explaining our activities and benefits to Wales by delivering the work that we do and articulating the level of service that can be provided by available funding.
- Incident response - we have statutory duties for incident management as a category 1 responder under the Civil Contingencies Act with responsibilities to work with our partners to manage and mitigate the impacts on people and the environment of environmental incidents such as flooding, drought and environmental pollution. We rely on our skilled staff, systems and procedures to mount our incident

response and are committed to ensuring that this service is resilient in the face of the likely impacts of climate change.

## We are also dealing with the following issues

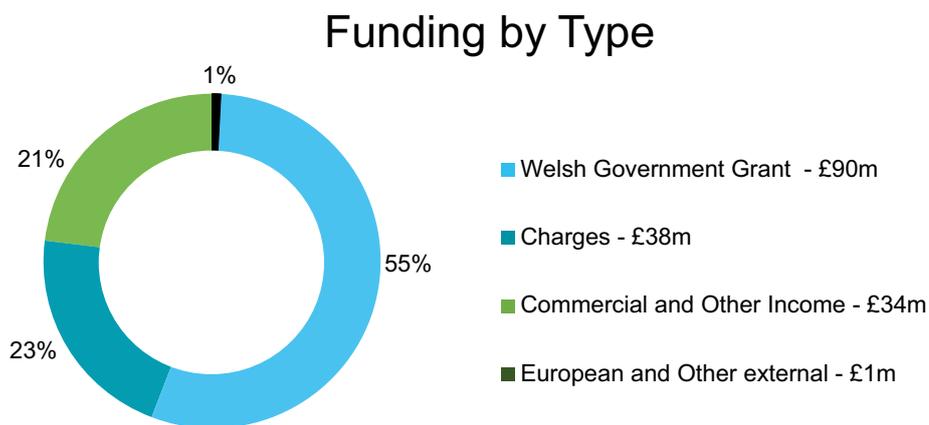
- Withdrawal from the European Union: much of our work is governed by legislation from the European Union therefore any changes could affect our funding as well as the requirements of our work. We are working with Welsh Government and partners to prepare for changes to legislation at a Welsh and UK level. Alongside having an impact on our own work, we recognise that potential changes could change how others operate e.g. within waste management practices etc. and therefore we are preparing to respond to any changes as part of our own role.
- Covid-19: As the Covid-19 crisis developed, we quickly focussed our efforts on what we needed to do to manage the risk – both to us internally and to our external facing services and customers. Our Incident Response and Recovery Group established and maintain a risk register to consider risks to our work relating to the pandemic. This is reviewed regularly. Our initial focus was to consider our staff and the effects on their health and wellbeing, as well as ensuring effective business continuity of our prioritised business activities. We continue to implement and adapt to Government advice and are working with staff, customers and partners to ensure everyone’s safety and deliver priority business activities in the coming months. Our strategic risk register was considered for impacts of the pandemic, but the impacts were mainly on delivery of the mitigating actions rather than the risks themselves.



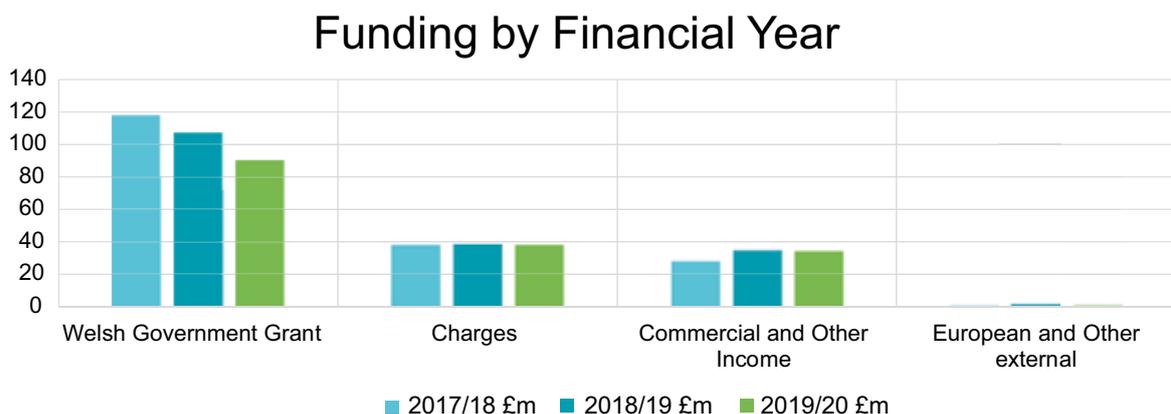
## Managing our finances 2019/20

### Funding

Our total income for the year was £73 million. In addition, the Welsh Government provided £90 million Grant in Aid and other grants towards a range of outcomes, of which £25 million was allocated to flood and coastal risk management. In the financial statements, Grant in Aid is treated as a contribution from a controlling authority and not a source of income. The chart below illustrates the distribution of our total funding.



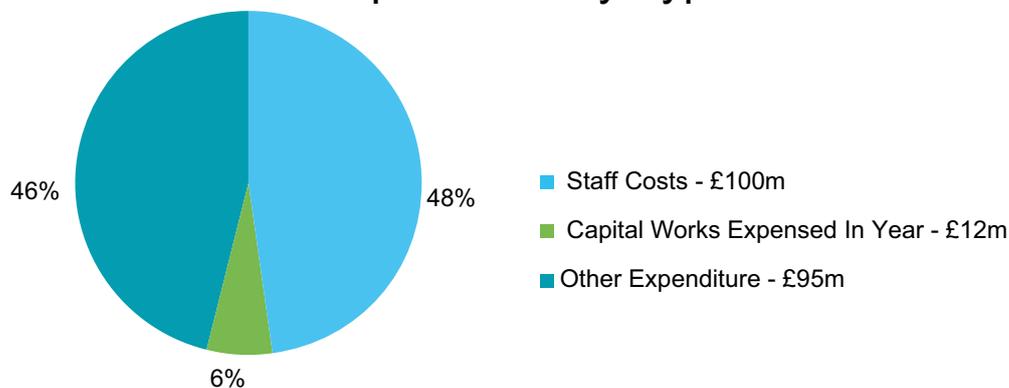
In 2019/20 our funding decreased from £183 million to £163 million with the biggest decrease being the Welsh Government Grants (£17 million). Our core grant funding reduced by £3m when compared to the previous financial year, but we also received less additional funding for new priorities and had a smaller flood risk capital programme, so therefore received less grant aid support. Most of our other income streams achieved very similar results to the previous financial year, with the timber income market remaining buoyant. This is illustrated in the graph below.



## How we spend our money

Our total expenditure was £207 million. The detailed breakdown by category of spend can be found in the Financial Statements and is also illustrated below.

### Expenditure by Type



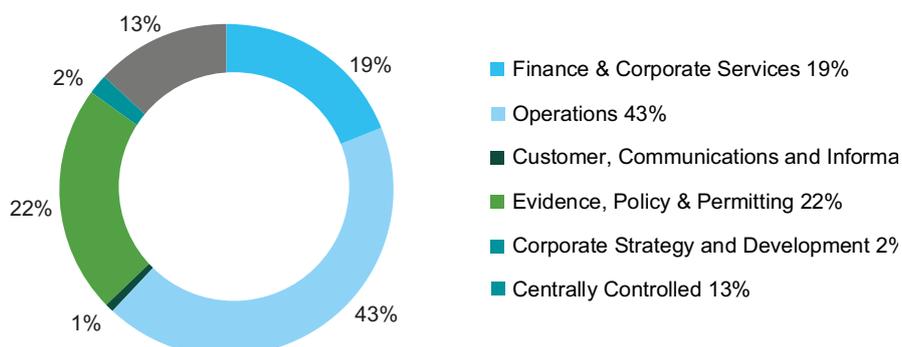
In 2019/20, our expenditure increased from £201 million to £207 million. The change in expenditure is due to several reasons but mainly an increase in staff costs following the completion of our organisation design and payments to the pension schemes. This is illustrated in the graph below.

### Expenditure by Financial Year



The graph below shows how the money was spent by directorate. 43% of our expenditure was spent in our Operations teams, whilst another 22% was spent in our Evidence, Policy and Permitting teams. 22% has been categorised as centrally controlled which accounts for non-cash movements such as depreciation. The remaining 13% was spend across the range of our corporate service departments, which have been benchmarked against other public-sector bodies.

### Expenditure by Directorate



## **Managing our money**

In 2019/20, our 'core' funding from Welsh Government was reduced by £3m and we had a smaller Flood capital programme. We have not received additional funding from Welsh Government as in previous years so therefore, we utilised reserves and, as a result, our cash balances have reduced accordingly. We also utilised our charges and commercial income in the undertaking of our activities. All budget allocations were scrutinised and approved by the Executive Team and Board. We have also benefited from an extremely buoyant market and our timber sales (>£25 million).

## **Future look**

As a result of the Covid-19 pandemic, we re-assessed our priorities for 2020/21 which are set out in the Business Plan we recently published. We set our plans based on our grant-in-aid allocation and estimates of charges and commercial income, although these have been subject to change as a result of the impact of the pandemic.

Our current Corporate Plan runs until 2022. We don't know what our grant-in-aid allocations will be for 2021/22 onwards but Welsh Government are planning to issue longer term funding indications in future which will help our financial planning. We have just implemented a new organisation design which took account of recent grant-in-aid funding reductions and timber income increases.

## **Non-current assets**

The value of our non-current assets was £1,241 million at 31 March 2020, a 20% (£207 million) increase compared to last financial year. The most significant component is the value of the forest estate and biological assets which accounts for £924 million of the total. During 2019/20 an additional three windfarms sites were recognised as assets bringing the total number of windfarm sites on the Statement of

Financial Position to four. The value of these four windfarms is £130 million. We are required to undertake an independent quinquennial revaluation of freehold land, buildings and forest estate and that will next be undertaken in 2020/21. In the intervening years, our non-current assets, where they have a material impact on the financial statements, are revalued via the appropriate indices.

## **Payment of trade and other payables**

Welsh Government has a commitment to pay 95% of suppliers within 30 days and we aim to exceed this target wherever possible. Performance for the whole year was 96% which is the same as 2018/19. This helps to ease businesses' cash flow in the current challenging economic climate.

## **Debtor performance**

Our continued management of commercial debt has seen a slight increase in commercial debt, with the average number of days for customers to pay increased to 3 days compared to 2.6 days in 2018/19.

Our management of regulatory debt has seen an increase from 1.86% in 2018/19 to 4.36% at the end of 2019/20.

No debt recovery has been actioned from Mid-February due to the current situation with Covid-19 and a period of adapting practices in the Transactional Finance Team with a focus on working from home, this included supplying all team members with mobile phones.

Priority of the Transactional Finance Team was moved to payment of our suppliers, to ease with cashflow whilst within the Covid-19 Pandemic.

In the short term we are to monitor the current situation by following Government guidelines, with a long-term view of collection of debt within the current year, situation allowing.

NRW's expected credit loss for debt is £0.7m as at 31st March 2020.

## Going Concern

The Statement of Financial Position at 31 March 2020 shows positive taxpayers' equity of £1,211 million. The future financing of our liabilities is to be met by the Welsh Government Grant in Aid and the application of future income. We have an approved Business Plan for 2020/21. Therefore, it is appropriate to adopt a going concern basis to prepare the Financial Statements.

## Estate management

We manage Wales's public forest estate on behalf of the Welsh Ministers in accordance with our acquisitions and disposal policy and our Enterprise Plan.

We are rolling out Forest Resource Plans (FRP) to replace the previous Forest Design Plans (FDP). The forest resource plan is a core management document used on the Welsh Government's Woodland Estate. It lays out proposals for the future management of a woodland in accordance with current policy and practice. These plans are far reaching, with a strong emphasis on delivering social, economic and environmental benefits, incorporating the ecosystem approach to land management. The plans are approved for an initial period of ten years, with the period beyond (50+ years) being approved in outline. This allows for a review of the document and revision if necessary. All plans include a long-term vision for the woodland and form the framework for detailed work programmes to be developed. The plans are checked by staff from our Land Stewardship Team.

All National Nature Reserves, including those owned or managed by NRW, those managed through partnership arrangements, and those managed by third-parties, are managed in accordance with an approved management plan.

These plans include conservation objectives for all recognised features of

interest and identify necessary projects and work programmes. The plans are for a period of 5 years and are reviewed annually. The management plans and their implementation are checked by staff from our Land Stewardship Team through a rolling programme of reviews and environmental audits.

## Pensions

The pension liability is disclosed in the Financial Statements based on International Accounting Standard 19. The liability has decreased for the Local Government Pension Scheme from £56 million to just over a £1 million in the year.

This is different from the basis used for funding calculations. The last formal revaluation of the fund was undertaken at 31 March 2019 and showed an overall funding position of 106%.

## Auditors

Our accounts are audited by the Auditor General for Wales. The audit fee for 2019/20 was £188k.

## Corporate reporting

The following annual reports and plans are also available on our website:

- Corporate Dashboard 2019/20

### Equality Diversity and Inclusion

- Strategic Equality Action Plan 2015 - 2020
- Equality Diversity and Inclusion Annual Report 2019/20
- Gender Pay Gap Analysis
- Welsh Language Annual Monitoring Report 2019/20

## Performance summary

It's our job in Natural Resources Wales to look after Wales' natural resources and what they provide for us: to help reduce the risk to people and properties from flooding and pollution; to look after special places for well-being, wildlife and timber; and to work with others to help us all to manage them sustainably.

As part of ensuring we take a place-based approach to delivery, seven Area Statements have now been published, covering our six place-based operational areas, as well as the Marine area – thanks to all those who have worked with us in their development. The culmination of two years collaborative work with stakeholders, the Area Statements set out the priorities, challenges and opportunities for managing natural resources in Wales, and for all of us to work together to tackle the climate and nature emergencies.

This year saw us responding to flood events affecting communities across Wales. Rivers reached record levels in many places, properties were flooded, and, in some communities, people were evacuated from their homes. The impacts were significant - on people, property, businesses and livelihoods. We cannot attribute every storm to the effects of climate change, but evidence suggests that unfortunately we are likely to see more of these extreme weather events. There is no single solution to flooding like this, though we remain committed to working with partners to minimising the impact of future flooding. In the coming year we will also be completing our internal review into the significant winter flooding events, delivering resulting improvement initiatives.

Internally, our Organisational Design programme has now concluded, bringing in a new structure, policies, processes and systems and members of staff confirmed in post - ending a great deal

of uncertainty for staff as well as some disruption to continuity of service to our customers.

We have also worked to make the changes needed in relation to timber sales, with final reports being completed, changes made to policies and process and related work transferred to business as usual.

At time of writing, we are continuing to support our customers in dealing with the impacts of Covid-19 on their operations, whilst also working to adapt our own internal ways of working in order to do so.

However, through all this, we have maintained our core activities to ensure that progress towards the aims in our corporate plan continue to be delivered:

- Responding to flooding and pollution incidents;
- Building and maintaining flood alleviation schemes and supporting communities through flood awareness work;
- Protecting and promoting the resilience of ecosystems;
- Managing forests and nature reserves;
- Providing advice and guidance to developers and land managers;
- Issuing permits, licences and consents and ensuring compliance with their conditions,
- Encouraging businesses to operate sustainably;
- Developing renewable energy schemes; and
- Providing and collating scientific evidence.

This year we also:

- Brought in timber income amounting to £25.2m, paying for the immediate costs of forest operations, and furthering our priorities for management and maintenance of the Welsh Government Woodland Estate;
- Progressed the second State of Natural Resources Report, publishing an interim report which highlights the climate and nature emergencies as the biggest challenges to sustainable management of natural resources in Wales;
- Carried out capital maintenance projects, providing sustained protection from flooding to over 800 properties in locations at Bontnewydd (Caernarfon), Llanrwst, Llansamlet (Swansea), Ynystangwlys (Swansea) and Risca;
- Saw the latest wind farm go into operation on our land - Innogy's Clocaenog Forest 27 turbine project, which will deliver an estimated £19m into local communities over the lifetime of the project; and
- Held our second #TeamNRW day bringing together over 700 of our staff.

There is still much to do. We will be working to respond to the climate and nature emergencies - with all staff having specific objectives to help as part of personal work plans. We will need to play our part in all Public Services Boards across Wales, using our new Area Statements to help identify the opportunities the natural environment could provide, and the challenges nature-based solutions could address. We will continue work to become an excellent organisation that serves the communities of Wales, supporting staff and working within the new organisational structure we have created. We will be responding to the UK withdrawal from the European Union, addressing the needs of Wales' natural environment and any opportunities this could bring. Covid-19 is also anticipated to have wide-ranging unknown, and in part unknowable, impacts during the coming year.



TeamNRW Day

# Performance Analysis

Our performance analysis describes how we design and scrutinise our performance framework; provides information on our key measures and targets, and more detailed examples of how we are working towards achieving our Well-being Objectives.

Our performance framework continues to develop – we have received statutory guidance this year related to the sustainable management of natural resources and the biodiversity duty all public authorities have. This is now reflected in our approach through this annual report and accounts.

All measures in our performance framework are related to our Well-being Objectives, and reporting this year includes how we are using the nine

SMNR principles and the five ways of working of the sustainable development principle within the Well-Being of Future Generations (Wales) Act.

This highest-level performance monitoring takes place four times a year. Our performance is scrutinised by our Board and Welsh Government and published with other papers for our Board meetings.

The following pages of this report outline examples of how we are working to deliver our Well-being Objectives and includes key performance information for this year. They also demonstrate how we are working towards putting the sustainable management of natural resources at the heart of everything we do.

Of the 26 measures on this year’s Business Plan dashboard:



# Well-being Objective 1

## Champion the Welsh environment and the sustainable management of natural resources (SMNR)

We aim to champion the natural environment in everything we do – in the information we provide, in supporting Public Services Boards and in putting the sustainable management of natural resources into practice across all our work – to help people make the most of the benefits it offers as well as valuing it for its own sake now and for future generations.

### Our measures

- Working with others to develop a shared 2050 vision for Wales' natural environment
- Working with others to develop our Area Statements
- Reducing our carbon footprint and enabling Welsh public sector decarbonisation in support of the declaration of climate emergency
- Progressing the second State of Natural Resources Report
- Allocation of grant funding to support the sustainable management of natural resources

### 2019/20 results

- Work towards developing a shared 2050 vision has begun
- Seven Area Statements created in collaboration with stakeholders
- Our carbon footprint has reduced, and decarbonisation projects have been delivered
- Interim second State of Natural Resources Report published
- New grant funding approaches developed (with a review of previous funding round to come)



Cyclists overlooking Caerphilly Photo: Caerphilly Council

# Examples of our work over 2019/20:

## Building our response to the Climate Emergency

Since the declaration of a Climate Emergency by Welsh Government in April 2019, we have been developing our response by placing tackling the emergency at the core of our work. Initially, the focus was identifying the ten key priority activities to reduce our carbon emissions and planning their resourcing and delivery. These priorities cover the management of our estate to reduce emissions from peatlands and increasing storage of carbon through woodland creation, as well as reducing emissions from our buildings and fleet through adopting low carbon technologies. For example, during the last year we have expanded our use of electric vehicles and installed more solar PV panels to provide renewable electricity.

In addition, we have developed a specific climate change and decarbonisation programme to embed consideration of carbon and climate change amongst our staff and processes, such as through staff workshops and greater consideration of carbon in procurement. Through the Carbon Positive project, we have not only been addressing our own emissions but providing advice and support to other organisations, particularly through PSBs to facilitate wider emission reductions across the Welsh public sector. Looking forward, we have initiated a review of our role in delivering the recently published Welsh Adaptation Plan that will inform future work to strategically consider climate risk across the organisation.

## Area Statements – building a healthy environment together

The first Area Statements were published on our website on 31 March 2020. As one of the new products required by

the Environment (Wales) Act, they set out the priorities, challenges and opportunities for managing natural resources in Wales, and provide opportunities for all of us to work together to tackle the climate and nature emergencies.

Area Statements have been developed by NRW collaboratively with stakeholders over a period of two years. They will continue to adapt and evolve over time to respond to the climate and nature emergencies. As a result, they are setting an important framing for our work with others in Place. For example, they will inform how we prioritise our grant funding. They will provide a focus on the opportunities for delivering nature-based solutions in Wales, including resilient ecological networks, new woodland creation, improving water quality and reducing flood risk.

## Assessing the sustainable management of natural resources in Wales

The State of Natural Resources Interim Report was published in December 2019 as part of the Environment (Wales) Act 2016 reporting cycle. It was our first web-based report in this cycle. The report is evidence based and we engaged widely during its development.

The report marks the next step in our journey to understand and publicise how sustainably Wales is managing its natural resources. It highlights the climate and nature emergencies as the biggest challenges to sustainable management of natural resources in Wales; and recommends developing a circular (sustainable) economy and increasing green infrastructure (nature-based solutions) as our response to them.

It also provides an update on our evidence needs since SoNaRR 2016 and asks stakeholders to help with the

development of the second full State of Natural Resources Report (SoNaRR 2020) due to be published in part in December 2020, with the supporting detailed chapters to be published in March 2021.

## **Embedding SMNR in strategic environmental assessment consultation responses**

This year we have been looking at opportunities to embed the sustainable management of natural resources (SMNR) in our responses to strategic assessment consultations both of internal and of external plans (thereby influencing the plans themselves), in particular Strategic Environmental Assessment (SEA). As well as reviewing literature, the work included a large number of one to one interviews, a number of small focused workshops with relevant specialists, and working with an expert group to develop guidance.

The opportunities identified through this process were embedded into written guidance for staff, incorporated into developing Intranet guidance, and made accessible for subsequent training events (face-to-face and webinars), as well as being set out in a final report.

## **A Shared Vision for the Natural Environment for 2050**

We want to create a shared vision for the natural environment - what nature in Wales could be like by 2050. Owned by everyone in Wales this is something we can all work towards together, tackling the climate and nature emergencies, through sharing understanding of the role nature plays in all our lives and what we all need to do to live more sustainably in future.

This year we've been planning how to make this happen and how to involve

as many people from as many different backgrounds as possible – those we already work with and those we have never worked with before – including public, private and voluntary sectors. These stakeholders will co-produce the shared vision, with NRW there to facilitate and support. Current circumstances mean that we may have to adapt these plans, but we will be listening to and talking widely with stakeholders during the next year, planning to complete the first version of the shared vision by 2021.

## **Making the connections - Senedd partnerships event**

In January we hosted a successful event to celebrate work developing partnerships to meet the growing challenges facing the Welsh environment. Around 100 attendees, Ministers, Senedd Members and other stakeholders, were able to meet with our partners and staff in market-style exhibitions centred around topics including waste crime, tourism, timber sector, land management, education, health and wellbeing, metal mines, flooding and LIFE (EU funded) projects. Olway Event partners included Welsh Revenue Authority; Confor; Dŵr Cymru Welsh Water; Brecon Beacons, Pembrokeshire and Snowdonia National Parks; Met Office; Public Health Wales; Coal Authority; Cardiff County Council; and Farming Connect.

Our Chief Executive highlighted the importance of Area Statements in delivering a future shared vision for our natural environment, including through grant funding partnership delivery. Lesley Griffiths MS, Minister for Environment, Energy and Rural Affairs, highlighted the importance of continued partnership working to tackle both the climate and nature emergencies.

The event proved successful, with guests saying they had learned something new about the work we're involved in. We now want this to become a regular annual event.

## What next?



As part of our 2020/21 Business Plan, we have reflected our latest delivery commitments, including that we will:

- Undertake the analysis phase of the programme to develop the shared vision for the natural environment, and start the first phase of national conversation events.
- Progress our priorities in the Carbon Positive programme, and develop an organisational approach to climate change adaptation;
- Ensure we play our part in all the Public Services Boards across Wales, using our Area Statements to help identify the opportunities the natural environment could provide in the local area and provide nature-based solutions to local challenges;
- Publish our second State of Natural Resources Report.



# Well-being Objective 2

## Ensure land and water in Wales is managed sustainably and in an integrated way

A fully integrated approach to the sustainable management of land and water in Wales can reap multiple benefits across all sectors – farming, forestry, fisheries and the urban environment. However, this is not happening yet. We aim to put this approach into practice on the land and water we manage ourselves and encourage all land and water managers to adopt an SMNR approach.

### Our measures

- Improve Wales' future land management
- Creating new woodland and replanting felled sites
- Implement river basin management plans
- Ensure continued safe and responsible reservoir management

### 2019/20 results

- Activity continues across a number of areas to improve Wales' future land management
- Progressing woodland creation and replanting activity, including acquiring two sites for planting totalling 57ha on the Welsh Government's Woodland Estate
- 94% of national measures and 64% of local measures for river basin management plans made operational
- 90% of our reservoirs compliant with the Reservoirs Act, with work required on four



# Examples of our work over 2019/20:

## Centenary tree planting project

We commenced our centenary tree planting project commemorating both the anniversary of 100 years of the public woodland estate and the end of the First World War. The project creatively brought together both anniversaries, emphasising the physical, mental, species resilience and environmental benefits which trees and woodlands bring to our everyday lives - creating a fitting and lasting legacy for the people of Wales

As part of the project, we officially opened our Garwnant arboretum in November 2019 with Lord Dafydd Elis-Thomas MS, Deputy Minister for Culture, Sport and Tourism and our Chief Executive planting a native Welsh sessile oak tree. The arboretum, planted in 2016, showcases trees of 88 species from different continents, and will create a show of colourful foliage and flowers at different stages of the year, increasing in impact as the site matures. The arboretum also incorporates a wildflower meadow enhancing both the biodiversity value of the site and the visitor

experience, and a range of commissioned wooden sculptures making effective use of stumps from larch cleared (due to tree disease *Phytophthora ramorum*) at the Visitor Centre.

Staff also marked the centenary through planting Welsh sessile oak in locations across Wales, often accompanied by their children and grandchildren - sharing memories with invited colleagues past and present.



Family planting native Welsh sessile oak at Garwnant



Lord Dafydd Elis-Thomas and Clare Pillman opening our Garwnant arboretum

## Wales Land Management Forum subgroup on agricultural pollution

The Wales Land Management Forum (WLMF) provides an opportunity for us and other membership organisations to share information, identify common interests and work together in a collaborative way on strategic land management issues. The WLMF established a sub-group back in January 2017 in order to focus on tackling agricultural pollution. With no one way to solve this, the subgroup have been looking into a combination of five different principles, all of which need to be supported by new ways of thinking. Main areas included: developing a voluntary, farmer-led approach to nutrient management; ensuring better advice and guidance is provided, promoting innovation and improving investment opportunities, with all of these underpinned by a clear and consistent regulatory landscape.

A partnership funded programme with the National Farmers Union Cymru on voluntary approaches has delivered a ground breaking Water Standard Report which will now be built upon. New draft regulations have also been announced by Welsh Government and the group will be considering what additional measures can be promoted to deliver a much broader suite of tools to help deliver sustainable nutrient management and reduce the rate of agricultural pollution. The subgroup continues to meet monthly to ensure the urgent need to make progress on this issue is realised.

## How woodland creation supports SMNR

NRW facilitated an exercise to explore how the current Environmental Impact Assessment screening process for woodland creation considers the core purpose (as set out in the Statutory Guidance to NRW on Part 1 of the

Environment (Wals) Act 2016). Together the task group mapped the processes involved and assessed how the objective and principles of sustainable management are applied in the work we do.

A mixture of subject matter experts, operational staff, policy staff and Welsh Government officials gathered evidence through a series of workshops and a wider interest group were involved through follow up meetings. As a result, NRW is now able to explore further recommendations and opportunities that will ensure land is sustainably managed in an integrated way. Recommendations included:

- Improvements in the application process for woodland creation making a clear reference to sustainable management objectives;
- Looking at earlier engagement with landowners in advance of the screening process;
- Reviewing and updating guidance for afforestation.

## River Basin Management Plans implementation

94% of national measures and 69% of local measures in River Basin Management Plans have now been made operational, including developing our strategic approach to chemicals (see 'Identifying emerging chemical risks in water' below); commissioning river restoration plans to address issues arising from the reasons why we have not met 'good' status under the Water Framework Directive (WFD); and developing our SMNR approach to water.

Physical modifications (fish barriers, flood defences, dredging effects etc) are the main reason for water bodies failing to meet WFD 'good' status in Wales. A project was set up to develop prioritising improvements in those water bodies where the greatest benefits (social, environmental, cultural, economic) could



NRW Analytical Services

be expected. A river restoration plan has now been completed for each of the top priority catchments in each NRW area.

We have developed opportunity catchments using the SMNR approach for the next cycle of WFD. These will lead to the promotion of initiatives in certain catchments with the best opportunity to deliver multiple benefits (for the environment and well-being priorities). For the third cycle of WFD we will focus on these opportunity catchments, working with our partners to drive improvement.

### **Identifying emerging chemical risks in water**

New chemicals are continually being manufactured to meet new industrial and agricultural requirements and to replace other chemicals that have been restricted. Chemicals can transfer into the water environment, where they may have unexpected or adverse impacts on

wildlife and human use of the water. Previously new emerging chemicals that required regulating were identified primarily by Europe but as a result of EU Exit, we must now put in place monitoring to do that ourselves. We are in a fantastic position to do that in Wales as NRW Analytical Services are the UK experts in the provision of 'passive monitoring' sampling and analytical techniques. This involves placing equipment in the water environment for several weeks and then analysing what it has absorbed using a scanning approach which identifies emerging chemicals. Initial results have detected a large range of chemicals which will now be compared against concentrations likely to have a detrimental impact on ecosystems - identifying new and emerging chemicals that may need improved regulation in line with our strategic approach to managing chemicals in water.

## Natural Resources opportunities maps online (SCCAN portal)

The SCCAN portal aims to promote more holistic management of natural resources -showing maps reflecting modelled opportunity spaces for selected land management interventions at a regional scale. The mapping focusses on priorities of the Welsh Government Natural Resources Policy (2017), which puts an emphasis on taking a place-based approach and delivering nature-based solutions. The five policy themes, drawn from the Natural Resources Policy, were: Freshwater Water Quality, Natural Flood Management, Woodland Planting, Coastal Zone Management and Adaptation, Urban and Peri-Urban (the area surrounding the urban area) Green Infrastructure.

The modelled maps are intended to be a source of evidence for consideration and discussion, rather than a definitive instruction as to the most appropriate land management choice in a particular location. The maps should be used in conjunction with other existing sources of evidence, (both spatial and non-spatial), and can be supplemented with new spatial data.

## Reservoir maintenance programme

We manage and maintain 37 registered reservoirs under the Reservoirs Act 1975 (over 70 in total) and carry out work to protect the safety of people, property and the environment downstream of our reservoirs from a sudden, uncontrolled release of water. None of our reservoirs remain a single-use reservoir as originally designed, instead all the reservoirs have multiple benefits including flood alleviation, amenity, fishing, conservation, water supply and recreation.

We spent £507k on (non-flood related) reservoir maintenance in 2019/20.

Maintenance work focusses on ensuring suitable accessibility for thorough reservoir inspection and that key components of the reservoir can operate efficiently. It involves consideration of site habitat and ecological factors. Required maintenance activity often includes vegetation clearance, embankment grass-cutting, tree management, burrowing animal management, clearing spillway channels, de-silting outfalls and greasing valves & sluices. Occasionally, we will also need to undertake non-routine activity or minor repairs such as filling or repairing minor cracks, repairs to water damage and replacing or repairing fencing, signage or other public safety items. For example, at Llyn yr Wyth Eidion (Cors Erddreiniog National Nature Reserve) we have carried out an extensive temporary repair to a fish pass following storm damage until a more permanent replacement is carried out.

## What next?

As part of our 2020/21 Business Plan, we have reflected our latest delivery commitments, including that we will:

- Provide advice, guidance and support to promote sustainable land management, and act as exemplars on the land we manage;
- Support greater partnership working across Wales' designated landscapes;
- Develop and deliver our woodland creation programme, help deliver new woodland creation as part of the National Forest and support Welsh Government's Glastir funding scheme;
- Progress investigations as part of our Water Framework Directive (WFD) programme and publish draft River Basin Management Plans;
- Regulate all reservoirs in Wales to ensure continued compliance with the Reservoirs Act and manage our own reservoirs to ensure compliance.

# Well-being Objective 3

## Improve resilience and quality of our ecosystems

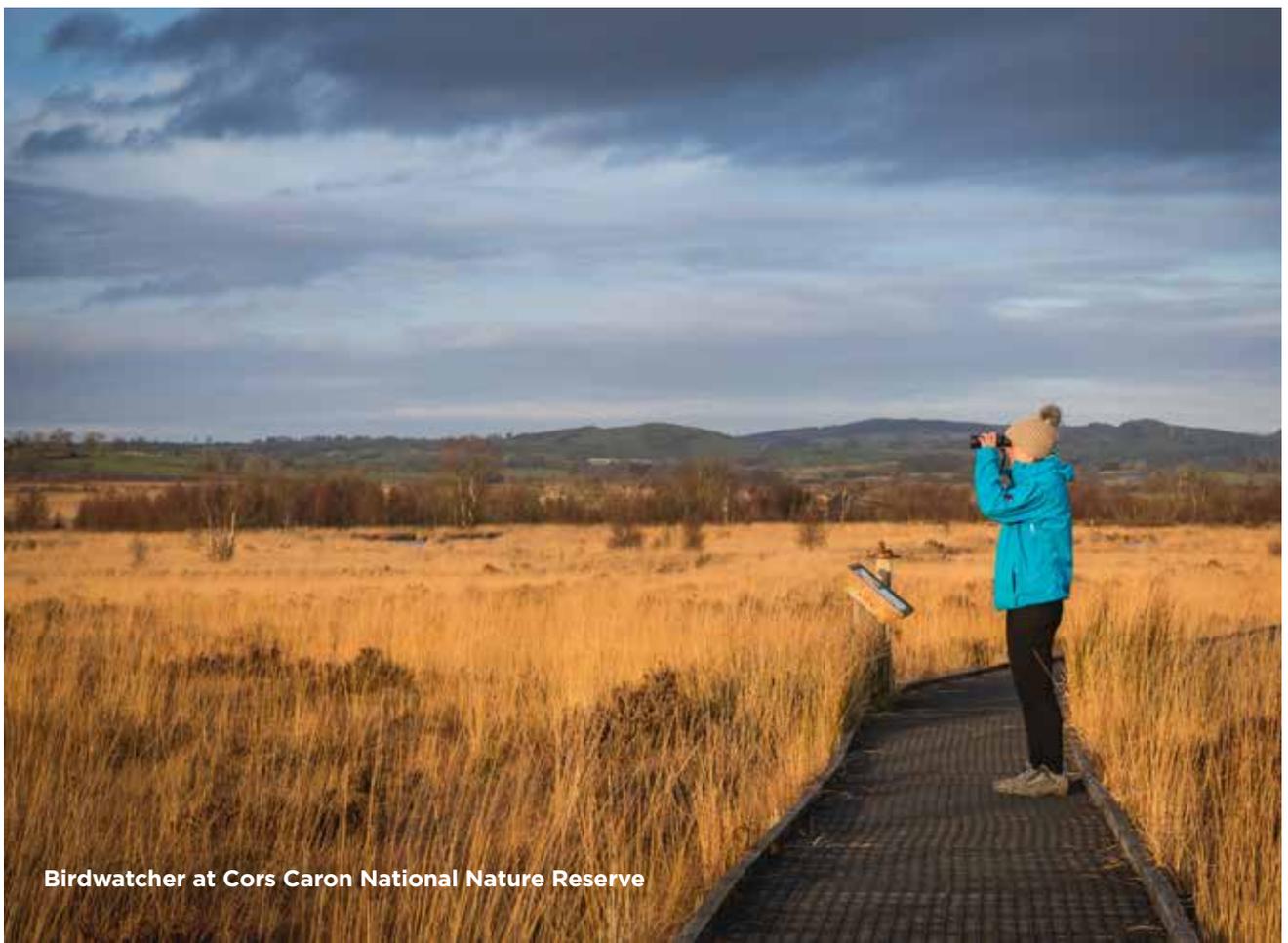
Our State of Natural Resources Report (SoNaRR) 2016 identified that many ecosystems will not be adaptable enough to deal with climate change and other pressures in future and so may not be able to provide the services we need – such as clean air and water. We designate special sites such as National Nature Reserves and Sites of Special Scientific Interest, for example – but our work is much broader than this. We aim to take biodiversity and ecosystem resilience into account in all our functions, activities and decisions and help other public bodies do the same.

### Our measures

- Implement 'Vital nature' - restoring, creating and improving habitat and enhancing biodiversity
- Monitor and address tree and plant health issues
- Manage and implement our programmes for sustainable fisheries programme including measures to promote the recovery of (salmonid) populations through our river and habitat restoration plans

### 2019/20 results

- Planned projects and actions related to Vital nature progressed. Annual programme of site actions behind schedule
- 90% of statutory plant health notices issued with 60 days (quarter four position)
- Sustainable fisheries programme progressed



Birdwatcher at Cors Caron National Nature Reserve

## Examples of our work over 2019/20:

### **Embedding Section 6 duty**

As a public body, we are subject to delivering and reporting on our Section 6 duty, to seek to maintain and enhance biodiversity in the exercise of our functions in relation to Wales, and in doing so to promote the resilience of ecosystems. NRW's purpose is to pursue the Sustainable Management of Natural Resources (SMNR). As an integral part of SMNR, the Section 6 duty is fundamental to our work.

To take account of this close relationship and to conform to Welsh Government guidance, our delivery of the Section 6 duty is being integrated across all our activities (including within corporate target setting, processes and subsequent reporting); i.e. Section 6 is not treated as a separate topic, for example, with stand-alone reports. This approach is described in more detail in our 2018/19 Annual report and accounts which also highlighted examples of areas of work that demonstrated delivery of the Section 6 duty and of SMNR.

We have continued to work to ensure that delivery for biodiversity and ecosystem resilience is undertaken across all we do, and that awareness and delivery of Section 6 is better embedded across our organisation. To help guide this we are undertaking assessments of the extent to which biodiversity and ecosystem resilience is considered across all our activities. This is helping us identify where improvements could be made, prioritise requirements for guidance and training and the focus of next steps. This also complements the development of detailed guidance and delivery tools on ecosystem resilience for our staff which we have been developing.

### **New fishing byelaws**

All of Wales' salmon stocks are in serious trouble and have fallen to historically low levels. The same is true of the majority (70%) of our sea trout stocks. New byelaws, along with a range of other urgent measures such as tackling agricultural pollution, improving water quality, improving habitats and managing potential threats from predators are therefore vital for the future status of salmon and sea trout stocks in Wales.

This year new byelaws confirmed by Lesley Griffiths MS, Minister for Environment, Energy and Rural Affairs, came into effect - protecting vulnerable salmon stocks in the cross-border rivers of the Dee and Wye in Wales. The new byelaws replicate the approach for the All Wales byelaws brought in earlier this year, and mean all salmon caught must be released alive with minimum injury and delay. Both sets of byelaws provide important protection for both salmon and sea trout and are in place for a period of ten years but will be reviewed after five.

An essential part of implementing these conservation measures and tackling underlying problems affecting fish populations has been targeted stakeholder engagement including hosting events with the Wales Fisheries Forum and Local Fisheries Groups. Future key work relating to action for salmon and sea trout includes commissioning fisheries habitat restoration plans for all remaining rivers in Wales and delivering prioritised work in partnership with Afonydd Cymru and the rivers trusts.

## What next?

As part of our 2020/21 Business Plan, we have reflected our latest delivery commitments, including that we will:

- Respond to both the climate and the nature emergencies including through identifying opportunities to benefit both particularly across habitats that can store carbon and help alleviate flooding;
- Progress the priorities of 'Vital Nature', NRW's strategy for nature, embedding consideration of biodiversity and ecosystem resilience across all NRW's functions and helping other public bodies do the same;
- Deliver catchment restoration measures to improve water quality or fisheries, improving communication with the public;
- Take measures to prevent plant disease outbreaks and detect and respond rapidly to any outbreaks that do occur and reducing the impact of invasive non-native species.



# Well-being Objective 4

## Reduce the risk to people and communities from environmental hazards such as flooding and pollution

We advise on, forecast and monitor the likelihood of flooding and, as well as developing flood defence schemes we support local communities to reduce their risks. Similarly, we advise and regulate industry and waste sites to reduce the likelihood of pollution entering the wider natural environment – we also provide a response to environmental incidents that do occur despite best efforts. Aiming to be firm but fair, we investigate incidents and use our full range of powers to tackle environmental crime when necessary.

### Our measures

- Deliver an effective and efficient incident management response
- Maintain NRW flood risk management assets in high risk locations in target operating condition
- tackle the impact of industry and waste sites
- Deliver our flood risk management capital programme

### 2019/20 results

- 96% of incidents assessed within one hour. Incident response and incident closure behind target
- 97.6% of NRW flood risk management assets in high risk locations in target operating condition
- Tackled the impact of poorly performing industry and waste sites, taking enforcement action where necessary. Issues remain with two high fire risk sites
- Fewer flood risk capital projects completed this year than planned, with these projects now likely to be delivered in 2020/21



Training exercise to put up demountable flood defences

# Examples of our work over 2019/20:

## Storms Ciara and Dennis

This year saw us responding to flood events affecting communities across Wales - with Storm Ciara, then Storm Dennis only a week later in February 2020. Rivers reached record levels; properties were flooded; and, in some communities, people were evacuated from their homes. The impacts were significant - on people, property, businesses and livelihoods, despite our defences preventing flooding in Usk town, Pontarddulais and many parts of the Valleys. Our incident response teams and forecasters worked with other emergency services around the clock to warn people. Teams of operatives were deployed to ensure our flood defences were in optimum operating condition.

As a result of Storm Dennis, our forecasters predicted the river Wye at Monmouth would reach a level of 7.20m (the previous highest ever recorded was 6.54m). In agreement with our emergency response partners, we issued two Severe Flood Warnings, meaning there could be a danger to life. The warnings resulted in the evacuation of undefended areas of Monmouth, as well as the closure of Monmouth bridge. Our teams of operatives were deployed with pumps at the ready, and Monmouth Flood doors were locked. The peak came in at 7.15m, and our flood defence was not over-topped, meaning that the vast majority of Monmouth was protected - helped by clearance of significant blockages at three of Monmouth bridge's arches after earlier floods.

Whilst recognising flood defences cannot stop all flooding, across Wales our defences benefit 73,000 properties that would flood if our defences were not there.

## Flood Risk Management Capital Programme

Reducing the risk of flooding to people and properties is a core part of our work and delivered through our Flood Risk Management capital programme. Flood Risk Management continues to embed SMNR principles into its work, looking at the long term through our medium-term plan (allowing the business to plan risk management and investment decisions for the next ten years) and having Natural Flood Risk Management at the forefront of our thinking in flood scheme design work (collaborating with internal teams to scope potential flood reducing options and potential multiple benefits).

Through our capital maintenance projects, we provided sustained protection to over 800 properties in locations such as Bontnewydd (Caernarfon), Llanrwst, Llansamlet (Swansea), Ynystangwlys (Swansea) and Risca.

We continued with major construction works at Crindau (Newport) and Llanfair Talhaiarn, whilst important appraisal and design work supporting future construction schemes such as Llyn Tegid (Bala), Ammanford and Stephenson Street (Newport) also progressed. Several Initial Assessments were initiated last year, work that is vital in ensuring our medium-term plan is resilient for the future. Projects such as Llangefni, Cardigan and Porthmadog all underwent appraisal work, potentially leading to large scale schemes in the near future.

Our modelling programme continued to support projects across the country, underpinning all our capital work. This included work on potential schemes at locations high on the Communities at

Risk Register (such as Llanelli, Rhyl and Prestatyn); locations recently affected by flooding like Dwyran on Anglesey; as well as work reviewing the performance of existing schemes such as Tregaron and St Clears.

We also recognise that communities may not always want schemes where our evidence suggests there may be a benefit. This is a relatively new concept for those dealing in flood risk as historically people have wanted the protection, but we have worked hard to find a way forward in such locations. Two examples that were contentious in last years report were at Roath in Cardiff and Dinas Powys in the Vale of Glamorgan. We have worked with the communities in both locations to agree a way forward that is acceptable to all

We also created 30 hectares of habitat aligned to biodiversity action plan priorities. Schemes included implementation of nature-based approaches at Ffrwd Wyllt (Port Talbot), holding back water naturally (at Olway Brook, Usk) and peatbog restoration (in the Rhondda).

## What next?

As part of our 2020/21 Business Plan, we have reflected our latest delivery commitments, including that we will:

- Protect people, communities and ecosystems from environmental incidents, including working with others to reduce accidental pollution and supporting initiatives to get ready for, and respond to, flooding, as well as other issues;
- Work alongside partners to deliver Welsh Government's National Strategy for Flood and Coastal Erosion Risk Management, including making new mapping and modelling information available;
- Address issues of environmental crime and at poorly performing permitted sites, including delivery of any compliance improvement plans;
- Deliver maintenance works to ensure the reduced risk of flooding is sustained to communities living in defended areas;
- Complete our internal review into the significant winter flooding events, delivering resulting improvement initiatives.

# Well-being Objective 5

## Help people live healthier and more fulfilled lives

As well as providing a wide range of opportunities for recreation on the land we manage ourselves, we work with partners to encourage everyone to access the outdoors throughout Wales and improve their health and well-being. We support community projects and help people to learn about the value of the natural environment, its importance in day to day life and its part in Welsh culture and heritage.

### Our measures

- Tackle the impact of air pollution
- Deliver the Wales Coast Path and National Trails programmes
- Develop our joint working agreement with Public Health Wales and Sports Wales
- Prepare a green infrastructure strategy and programme

### 2019/20 results

- All non-conformances relating to impact on air quality had appropriate follow up
- Activity on the Wales Coast Path has included path condition surveys and production of new multi-day walking itineraries
- Work of the Wales Physical Activity Partnership continued
- Green infrastructure strategy and work programme paused



Walker on the Wales Coast Path

# Examples of our work over 2019/20:

## Wales Outdoor Learning Week

The first ever Wales Outdoor Learning Week was held from 1 to 7 April 2019, organised in conjunction with the Wales Council for Outdoor Learning. The successful campaign encouraged and inspired teachers, learning groups and families across Wales to embed outdoor learning within school and family life – learning in, learning about and learning for the natural environment.

It promoted practical ways for people to connect with nature, highlighted the important role outdoor learning plays within the Curriculum for Wales and the multiple benefits for lifelong learning and the environment - building on our work to facilitate, enable and highlight the importance of the sustainable management of our natural resources within the context of education.

Throughout the week we ran a series of events including educator training sessions and a conference with over 120

delegates. A celebration event supported by adventurer Richard Parks saw the first Acorn Antics oak saplings (from a project which helps us plant more trees grown from local seeds) return to Wales to be planted in a woodland near Ruthin.

We created the hashtags #WalesOutdoorLearningWeek / #WythnosDysguAwyrAgored so education groups and teachers could share their outdoor learning pictures and inspire others, which saw these used over 500 times with the campaign reaching over 500,000 people.

## New and Improved Mountain Bike Trails at Coed y Brenin and Bwlch Nant yr Arian visitor centres

Funded by Visit Wales' Tourism Amenity Investment Support scheme, new mountain bike trail sections were constructed this year - lengthening our





most popular mountain bike trail, the MinorTaur (at Coed y Brenin Forest Park) and building a completely new trail named Melindwr (at Bwlch Nant yr Arian). To maximise their appeal, both developments are designed for intermediate grade riders. The trails are tricky and engaging enough to encourage the maximum number of riders and ensure best value for the investment. They also complement the existing mountain bike offer at both visitor centres.

However, the location and design of the trails had to ensure both forest ecosystems remained resilient. The work to insert single track, stone armoured trails through each forest needed to be undertaken carefully to ensure the trails established quickly and effectively. Attention to detailed layout, drainage and construction was essential to successfully achieve the sustainable management of natural resources at these sites - minimising environmental

impact and ensuring the trails are sustainable for the long term after many thousands of riders have sped over them.

Over thirty thousand riders used MinorTaur in 2019, with Melindwr receiving an enthusiastic welcome from riders when it opened in October.

## Collaborative working to address physical inactivity in Wales

Many people in Wales are not physically active enough to protect their health. This year we strengthened our collaborative working on physical activity with Public Health Wales and Sport Wales, through the development of a new partnership - The Wales Physical Activity Partnership.

The priority areas of focus for joint working across the three organisations have now been agreed as:

- Communications. A common approach to communicating about physical activity, agreeing a common language to provide clear messages that help inform individual behaviour change;
- Development of a Physical Activity Observatory. Consolidating a 'Once for Wales' approach to physical activity data and evidence and working towards a common evaluation and monitoring framework for physical activity related projects;
- Education Settings. Work includes the development of a joint professional development programme for the teaching profession related to the Health and Wellbeing Area of Learning and Experience within the Curriculum for Wales and the review of the Healthy Schools Scheme;
- Healthy and Active Fund. Delivery of grant funding to seventeen projects across Wales, to improve mental and physical health by enabling healthy and active lifestyles; addressing poor nutrition; cutting smoking rates and curbing excessive alcohol consumption.

At the heart of this partnership is collaboration – seeking to improve systems working across our organisations and other stakeholders. We will also be engaging widely with broader stakeholders to ensure we develop the right message and put it across in the right way to drive positive behaviour change and involved others as partners where we can.

## What next?

As part of our 2020/21 Business Plan, we have reflected our latest delivery commitments, including that we will:

- Protect the health and well-being of our communities and ecosystems by delivering key regulatory priorities;
- Support Welsh Government's Tourism Action Plan, including the Wales Coast Path and National Trails;
- Support initiatives that improve physical and mental health such as social prescribing;
- Implement and support Green Infrastructure planning and delivery.

# Well-being Objective 6

## Promote successful and responsible business, using natural resources without damaging them

We want Wales to be recognised as a great place to do business, embracing green growth, new sectors, research and innovation. As well as developing our own commercial activities, we want to encourage businesses to use resources efficiently and work towards a circular economy. We use our regulatory powers – permitting, monitoring to check compliance and enforcement – to protect the natural environment and to ensure that legitimate businesses are not undermined.

### Our measures

- Bring sustainably managed timber to market
- Deliver our renewable energy programme
- Deliver our tackling waste crime action plan

### 2019/20 results

- Timber offered and awarded to market to the volume of 889,000m<sup>3</sup>
- 441.5MW of renewable energy production on our estate
- Annual report on impact of our tackling waste crime action plan coming in 2020/21



## Examples of our work over 2019/20:



### Clocaenog Forest Wind Farm starts operating

Moving Wales towards renewable energy sources is a crucial part of tackling climate change. This year we have been celebrating the latest successful wind farm project on our land. Following initial work by Forestry Commission Wales back in 2005, we have helped construct wind farms at Pen y Cymoedd (2017), Brechfa Forest West (2018) and now Clocaenog Forest - partnering with two multi-national developers, Vattenfall and Innogy, to build these significant new sources of green energy.

The most recent wind farm to go into operation at the end of 2019 was Innogy's Clocaenog Forest 27 turbine project which can now power nearly 64,000 homes annually. By powering these homes with renewable energy, we can save over 170,000 tonnes of CO<sub>2</sub> emissions annually from entering the atmosphere. The project will also contribute an estimated £19M into local communities over the lifetime of the project via the Community Investment Fund (with some of this, at time of writing, expected to go to community groups providing COVID-19 support on the frontline). These green energy projects not only benefit the surrounding economies but produce substantial income over their lifetime for NRW and Welsh Government through royalty payments.

Fully integrating wind farms into our working forests is a real success story, achieving multiple benefits, and two further large-scale onshore windfarms on NRW land are in the pipeline - the Alwen project (North Wales) and Y Bryn project (South Wales).

### Managing a sustainable resource - Timber sales

We manage the Welsh Government Woodland Estate (WGWE) on behalf of the Welsh Ministers, and we have a duty to promote the interests of forestry, afforestation and the production and supply of timber and other forest products. In relation to this duty we produce a timber sales marketing plan. This plan is published to ensure that the forest estate is managed sustainably and includes within it the expected levels of future timber production and supply.

In 2019/20 we offered and awarded timber to the market to the volume of 889,000m<sup>3</sup>. The final outturn was 654,000m<sup>3</sup> dispatched, achieving income of £25.2 million. This timber was certified under the UK Woodland Assurance Scheme.

We have also worked to make the changes needed in relation to timber sales, with final reports being completed and changes made to policies and process embedded in the organisation.

### Tackling Waste Crime and enforcement

2019/20 saw 62 prosecutions for environmental offences. Waste Crime (which includes non-compliant permitted sites, large and small scale fly tipping, illegal waste sites and abandoned sites) can cause immediate and lasting damage and impact opportunities available to current and future generations. Tackling this issue ensures a level playing field for legitimate operators, supports jobs and the economy and protects our natural environment for the future.



We have taken robust action for serious offences. For example, a plant hire operator was jailed for 15 months this year for illegally dumping large quantities of controlled waste, including general domestic waste like nappies, mattresses and fridge freezers, as well as contaminated soil from a major construction site. As part of this investigation an engineering company was fined £109,000 for failing to ensure its waste was handled appropriately.

Waste crime continues to evolve and increase in sophistication. With the backing of Welsh Government, we have created an action plan setting out new ways of tackling the issue. A taskforce has been created which will implement the plan, working in partnership to take new and innovative approaches that work alongside our existing activities targeting the problem.

## SMNR and the regulatory framework

This year we conducted an exercise to explore how the current regulatory process for assessing industrial installations supported our core purpose (as set out in the Statutory Guidance to us in Part 1 of the Environment Act). We mapped how the objective and principles of SMNR are built into the regulatory framework.

A mixture of subject matter experts, operational staff and policy staff gathered evidence through a series of workshops, and a wider interest group were involved through follow up meetings. As a result, we are now able to explore further recommendations and opportunities that will potentially lead to better outcomes for business, people and the environment including:

- Improvements in the application process;
- Earlier upfront engagement with operators;
- Making connections across our organisation to drive common outcomes.

## What next?

As part of our 2020/21 Business Plan, we have reflected our latest delivery commitments, including that we will:

- Support Welsh Government in its aim to develop a more circular economy, regulating industry and in monitoring resource use and tackling illegal waste;
- Develop our Commercial Strategy including the development of and consultation on a revised Timber Sales and Marketing Plan and delivery of the NRW Laboratory Business Plan;
- Deliver priorities in renewable energy programmes (onshore and offshore);
- Address issues of environmental crime and at poorly performing permitted sites, including delivery of any compliance improvement plans.

# Well-being Objective 7

## Develop NRW into an excellent organisation delivering first class customer service

We want to be the best organisation we can be, for our staff, our customers and the natural environment. This means we have undergone considerable change as an organisation. Completion of our staff restructure is now enabling us to focus on developing our organisation to support staff and customers to meet personal and business objectives.

### Our measures

- Continue to progress organisation development
- Implement the recommendations for governance of our timber sales
- Customer Satisfaction (with their NRW interactions)

### 2019/20 results

- Organisational design programme concluded. Workforce plan approved
- New ways of working related to governance of our timber sales being embedded
- Dashboard completed, transformation plan to come next year



Welsh Government Ministers visit our Cardiff office

# Examples of our work over 2019/20:

## Organisation Design completed

We completed our organisational change programme in October 2019, bringing in a new organisational design reflecting a flatter structure, with larger teams to ensure more resilience and integration of activities. To support the new structure, we created new role descriptions to describe the requirements of the roles (including elements around information security, incident management, budget management and customer focus) and made other changes to our processes and systems to allow the new structure to work on day one. Key deliverables to support our new ways of working included freshly updated and tested Business Continuity Plans. Our Organisation Design programme then concluded in November 2019 - with members of staff confirmed in post in our new structure.

## Brexit preparation / readiness

As part of our Brexit preparation, we are working closely with Welsh Government, our stakeholders and partners to understand the potential effect on the role of NRW as an organisation and to support the development of future legislation. As mentioned above, much effort went in to preparing for a no-deal exit with all our Business Continuity Plans updated and tested.

We have recognised the opportunities Brexit can bring to enable the Sustainable Management of our Natural Resources and the risks of not realising these opportunities. We have continued to work closely with Welsh Government and partners on the development of the new body to oversee Environmental Principles and Governance in Wales post Brexit. We have tracked legislative change at a UK and Wales level including

proposed agriculture, fisheries and environmental principles bills in readiness for the end of transition. We have worked closely with Welsh Government and partner agencies to understand what this may mean for our remit and the Welsh environment, and the additional 'functions' or accountabilities that may be transferred to NRW.

Delays to the UK exit from the EU have required flexibility in our preparation and readiness timelines. We continue to update staff, operators and stakeholders to ensure they are aware of their responsibilities and our ongoing role as regulator.

## Delivering Customer Programme Improvements

Our Customer Programme has been delivering improvement projects focussed on getting the basics right, improving quality standards and supporting early customer involvement. We have:

- Upskilled and trained staff in our Customer Hub;
- Made our website simpler, using methods such as surveys, on-page analytics and interviews, to shape improvements to the site - enabling people to find and complete tasks they need to do, wherever and whenever is most convenient for them;
- Increased online self-serve portal use (such as for waste carrier, broker and dealer registrations) - in some cases greatly reducing our processing time and freeing up significant staff resources;
- Tested our website for issues linked to people using assistive technology. We will be setting out our plan for improvements next year;

- Started to fix issues relating to ‘top tasks’ (the most common things that people come to our website to do) with notable improvements achieved. For example, angling byelaws were unreadable on a mobile device, but after publishing these as clear web content they have now been viewed over 6,000 times through mobile devices;
- Produced a style guide for use by staff, on written, web, and face to face communication rolling this out over training sessions;
- Held events for staff working in public facing roles gathering insight on what we need to do to deliver consistent correspondence and communication style. Training and pilots were reviewed and adapted as they were rolled out with very positive feedback and this training now in regular use.

## SMNR Training - embedding the principles

We have put a learning programme in place to build staff capabilities to apply the ways of working set out in the Environment and Well-being of Future Generations Acts. Through the delivery of 2-day courses, staff from across the organisation brought together their experiences of applying the ways of working and explored what these meant in more detail. Since these courses began in September 2017, 1,413 staff have attended to date and 93 have now completed and gained the associated Level 2 Accreditation with more to follow.

As our organisation has progressed in knowledge and application of SMNR and the nine principles, so staff interest has grown in attending these courses and the option to gain accreditation.

As a result of the courses, staff are clearer about our role and purpose and how SMNR relates to their respective

roles, the challenges we encounter applying the ways of working and how we may overcome them. This in turn enables better outcomes for the people and environment of Wales.

## #TeamNRW Day 2019

November 2019 saw our second annual conference held in Aberystwyth – an event designed to engage and inspire across our organisation. The event celebrated the vital work we all do and encouraged everyone to learn from each other in working towards the sustainable management of the natural resources of Wales.

Over 700 hundred staff attended this year, with feedback demonstrating how people truly valued the opportunity to get together with colleagues across our diverse organisation, to learn and talk about the wide range of projects and responsibilities that we have and how best to maintain and enhance our natural resources.

With engaging team talks and workshops, and motivational speeches from our Chief Executive, this year we were joined by BBC presenter Will Millard as our inspirational keynote speaker who talked about how the work of NRW contributes to wellbeing. We were again joined by adventurer Richard Parks, part of the wider #TeamNRW family, to help share the story of how important our natural resources are to Wales, and its people.

Our #TeamNRW Day is growing from strength to strength and has become a valuable key event in the diaries of all our staff, for developing and promoting the outstanding efforts that we all make.

# What next?

As part of our 2020/21 Business Plan, we have reflected our latest delivery commitments, including that we will:

- Embed SMNR and its principles, and the Well-being and Future Generations (Wales) Act's five ways of working across our organisation;
- Ensure place-based teams engage and understand the different community needs in their areas so we hear and understand the issues far better;
- Support Welsh Government with the transfer of functions from the EU into UK and Welsh administrations;
- Deliver good governance across NRW ensuring we follow due process and are accountable for our actions;
- Embed the values and behaviour of #Team NRW within the organisation.



**Clare Pillman**  
Chief Executive and Accounting Officer

**25 November 2020**



# Accountability Report

Our Accountability Report outlines key features of how we manage our organisation. It has three sections.

Over the following pages our Corporate Governance report explains who our Board and senior management team are, how they work and the governance arrangements in place to ensure effective management and oversight of our resources to achieve our objectives.

Our Remuneration and Staff Report describes how we address Board and senior management pay as well as providing an overview of the make-up of our staff numbers.

Our Parliamentary Accountability and Audit Report brings together additional requirements requested to demonstrate our accountability to the UK and Welsh Governments, regularity of expenditure and the final opinion from our Auditor.

# Corporate Governance Report

## Directors' Report

The Chief Executive is supported by a team of Executive Directors and Directors who together form our Executive Team (ET).

We have seen a few changes to our ET this year: Niall Reynolds, Director of our Transformation Portfolio left in April 2019; Catherine Love, Director of Customer, Communications and Information, left in May 2019; Tim Jones, Executive Director of Operations (North

and Mid Wales), left in October 2019; and Kevin Ingram, Executive Director of Finance and Corporate Services, left in April 2020.

Prys Davies joined as our new Director of Corporate Strategy and Development in April 2019 and Gareth O'Shea became Executive Director of Operations when Tim Jones left (previously Gareth had been Executive Director of Operations (South Wales)).

Position	Post Holder	Length of ET Service
Chief Executive	Clare Pillman	26 February 2018 - present
Executive Director of Evidence, Policy and Permitting	Ceri Davies	1 April 2013 - present
Executive Director of Finance and Corporate Services	Kevin Ingram	1 April 2013 - 9 April 2020
Executive Director of Operations (North & Mid)	Tim Jones	1 April 2013 - 10 October 2019
Executive Director of Operations (South) then Executive Director of Operations	Gareth O'Shea	27 April 2015 - present
Director Customer, Communications and Information	Catherine Love (née Smith)	22 April 2014 - 31 May 2019
Director Transformation Portfolio	Niall Reynolds	1 April 2013 - 30 April 2019
Director of Corporate Strategy and Development	Prys Davies	1 April 2019 - present

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Two new Executive Directors joined us in September 2020: Rachael Cunningham, Executive Director of Finance and Corporate Services, and Sarah Jennings, Executive Director of Communications, Customer and Commercial.

Our Executive Team Register of Interests as at February 2020 is included here.

Name	Position	Interest	Individual	Role
Clare Pillman	Chief Executive	Executive or Non-Executive Board, Committee or Trust Membership	Personal	Board Member - National Theatre Wales
Ceri Davies	Executive Director of Evidence, Policy and Permitting	Executive or Non-Executive Board, Committee or Trust Membership	Personal	Member of the FLEXIS Advisory Board. Welsh European Funding Office (WEFO) funded project supporting energy research in Wales.
Ceri Davies	Executive Director of Evidence, Policy and Permitting	Other	Personal	Member of the Chartered Institute of Wastes Management
Prys Davies	Director of Corporate Strategy and Development	Executive or Non-Executive Board, Committee or Trust Membership	Personal	School Governor, Ysgol Pencae, Cardiff
Kevin Ingram	Executive Director of Finance and Corporate Services	Remunerated employment, trade, profession or vocations	Spouse	Legal Officer at Wildfowl and Wetlands Trust
Gareth O'Shea	Executive Director of Operations	Executive or Non-Executive Board, Committee or Trust Membership	Personal	Member of an independent funding panel within Merthyr Tydfil Area to score project bids on behalf of the Invest Local EU funded programme and recommend to steering group on projects suitability.

The Register of Interests for our Board members is available on our website <https://naturalresources.wales/about-us/our-chair-and-board/members-of-our-board/?lang=en>



Clare Pillman  
Chief Executive and Accounting Officer

25 November 2020

# Statement of Accounting Officer's Responsibilities

Paragraph 23 (1) of the Schedule to the Natural Resources Body for Wales (Establishment) Order 2012 requires Natural Resources Wales to produce, for each financial year, a Statement of Accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Natural Resources Wales and of the income and expenditure, changes in taxpayers' equity and cash flows for the financial year. In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FRoM) and to:

- observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the FRoM have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis
- confirm that there is no relevant audit information of which Natural Resources Wales' auditors were unaware, and take all steps to make themselves aware of any relevant audit information and to establish that Natural Resources Wales' auditors are aware of that information
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for it and the judgements required for determining that it is fair, balanced and understandable.

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

# Governance Statement

This Statement sets out the governance structures, internal control and assurance frameworks that have operated within NRW during the financial year 2019/20 and accords with HM Treasury and Managing Welsh Public Money guidance.

As the designated Accounting Officer for Natural Resources Wales, my role is also to safeguard public funds and organisational assets by putting in place arrangements for the governance of our affairs and effective exercise of our functions. I can confirm that the information in our Annual Report and Accounts is a true and fair account of how the organisation has delivered its functions this year. I also confirm that there is no outstanding information that has been brought to my attention or that I am aware of that has not been brought to the attention of Audit Wales.

## Our governance structure

Our organisational structure shows how we are set up to work and deliver our objectives.

Our Board members are appointed by Welsh Ministers in accordance with the Code of Practice for Ministerial Appointments in Public Bodies, and as such our Chair is accountable to the Minister for Environment, Energy and Rural Affairs at Senedd Cymru.

We currently have 13 remunerated Board members, led by our Chair, with 11 non-executive members and myself as an executive member of the Board. In September 2019, Sir David Henshaw was appointed as our Chair for a further four years having led us for the previous

twelve months in an interim capacity following the resignation of our previous Chair in 2018. Professor Steve Ormerod has also been appointed Deputy Chair of NRW and Julia Cherrett appointed as a Senior Independent Director (SID). The role of SID has been introduced to support the Chairman in his role; to act as an intermediary for other non-executive directors when necessary; to lead the non-executive directors in the oversight of the Chairman and to ensure there is a clear division of responsibility between the Chairman and Chief Executive. There have been no additional changes to our Board Members this year.

To carry out our duties, we meet as a full Board with additional scrutiny being undertaken by five committees. Our Executive Team (ET) provide strategic and operational updates to our Board and Committees for scrutiny and decision as required. We are setting up a sixth Committee to scrutinise our evidence work: members have been appointed and this will soon begin meeting formally.

Other than EAC, each committee is chaired by a Board member and includes at least three other non-executive Board members. Our Chair has an open invitation to attend committee meetings in a non-voting capacity. We do not have a Nominations Committee as our members are appointed by Welsh Ministers. The following sections outline the work focus areas and attendance of our Board and Committees.

Non-Executive members	Term	Start date	Current end date
Sir David Henshaw (Chair)	1	1 November 2018	31 October 2023
Professor Steve Ormerod	1	1 November 2018	31 October 2022
Karen Balmer	2	9 November 2015	8 November 2022
Chris Blake	2	9 November 2015	31 August 2021
Catherine Brown	1	1 November 2018	31 October 2022
Julia Cherrett	1	1 November 2018	31 October 2021
Geraint Davies	1	1 January 2019	31 October 2024
Howard Davies	2	9 November 2015	31 August 2021
Elizabeth Haywood	2	9 November 2015	31 August 2021
Zoe Henderson	2	9 November 2015	8 November 2022
Dr Rosie Plummer	1	1 November 2018	31 October 2021
Professor Peter Rigby	1	1 November 2018	31 October 2021



## Board Meetings

We held six two-day meetings and two development days across Wales this year. Standing items on our agenda include: in-year finance and performance reporting; response to leaving the European Union, response to Climate and Nature Emergencies and strategic and operational updates from the Chair, Chief Executive and Committees.

We publish a wide range of information regarding our work on our website, including papers to be considered by the Board in advance of those meetings held in public. Board papers are prepared using the latest evidence available and receive internal scrutiny and approval prior to Board meetings.

All future meeting dates and previous agendas, are available on our website, as well as the papers and minutes from our public sessions.

Our Board and committees have continued to meet throughout Covid-19 lockdown via Skype. Sessions have been shorter and more focused to be able to handle the required business of the day. Due to lockdown restrictions we have been unable to meet in public. Initially this was due to the pace of change and adjusting to the new arrangements, but from September 2020 we have held virtual meetings allowing the public to observe. The lack of face to face meetings has meant that the Board have not been able to move around the different regions of Wales as usual and also to hold stakeholder engagement sessions as planned. External engagement is one of the elements of our work that has been most affected, leading to some delays in large scale engagement and training programmes.

## Board member attendance 2019/20

Name	Meeting Attendance	Development Days Attendance
Sir David Henshaw (Chair)	6/6	2/2
Professor Steve Ormerod	6/6	2/2
Karen Balmer	5/6	2/2
Chris Blake	5/6	2/2
Catherine Brown	4/6	2/2
Julia Cherrett	6/6	2/2
Geraint Davies	6/6	2/2
Howard Davies	4/6	2/2
Elizabeth Haywood	5/6	1/2
Zoe Henderson	6/6	2/2
Dr Rosie Plummer	5/6	2/2
Professor Peter Rigby	5/6	2/2
Clare Pilman (Chief Executive)	6/6	2/2

### Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee's (ARAC) principal role is to advise the Board and support the Accounting Officer in monitoring, scrutinising and challenging the arrangements in place for audit, governance, internal controls and risk management. This year Catherine Brown took over from Karen Balmer as Chair of this Committee. The Chief Executive attends every meeting as NRW's Accounting Officer, along with our Executive Director of Finance and Corporate Services. Sir David Henshaw attended two meetings this year in a non-voting capacity. Members of ET now attend the committee to discuss any

limited assurance audit reports. ARAC have also now agreed to meet every two months rather than quarterly to ensure appropriate scrutiny and oversight.

This year ARAC addressed a range of issues including:

- Ongoing Public Accounts Committee Scrutiny of Annual Report and Accounts 2015/16
- Grant Thornton: Governance of Timber Sales Report
- Improvements to our risk management approach
- Internal Audit Plan 2019/20
- Annual Report and Accounts 2018/19 and plans for this report, 2019/20
- Cyber security internal controls

## Board member ARAC attendance 2019/20

Name	Number of meetings	Number of full meeting attended
Catherine Brown (Chair)	5	5
Karen Balmer	5	5
Rosie Plummer	5	4
Peter Rigby	5	5

## People and Remuneration Committee

The People and Remuneration Committee (PaRC) considers matters relating to people management, reward and organisational change. This includes oversight of the pay and conditions of employment of the most senior staff, an overall pay strategy for all staff employed by Natural Resources Wales, pension scheme provision, organisational design, wellbeing, health and safety, customer care, equality and diversity and development of the Welsh language

scheme. The Chief Executive attends every meeting.

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

- Organisational Design Implementation and project close down
- Wellbeing, Health and Safety and Serious Incident Reviews
- Scrutiny of proposed People Management policies e.g. allowances review
- Director remuneration

## Board member PaRC attendance 2019/20

Name	Number of meetings	Number of full meeting attended
Zoe Henderson (Chair)	4	4
Karen Balmer	4	3
Howard Davies	4	3
Julia Cherrett	4	3

## Finance, Planning and Performance Committee

The Finance, Planning and Performance Committee (FPPC) began formally meeting this year bringing together the work of several Board sub groups which scrutinised elements of work before full Board meetings. The Committee provides advice, oversight and scrutiny on strategy, management and performance in relation to finance, business planning and performance, charge schemes and commercial matters. In carrying out its role the FPPC focuses on strategic

direction and development, however it will also have a role in scrutinising performance and delivery.

This year the Committee considered the following:

- Monitoring in-year financial performance
- Budget Setting 2020/21
- Business Plan 2020/21
- Development of the Performance Dashboard 2020/21
- Strategic Review of Charges Programme

### Board member FPPC attendance 2019/20

Name	Number of meetings	Number of full meeting attended
Chris Blake (Chair)	6	6
Julia Cherrett	6	6
Elizabeth Haywood	6	6
Rosie Plummer	6	6

## Protected Areas Committee (PrAC)

The Board has delegated its statutory responsibilities in relation to legislation concerned with nature conservation and

protected landscapes to the Protected Areas Committee (PrAC). PrAC members also support the Executive and full Board by providing advice on wider protected area issues and strategic casework.

### Board member PrAC attendance 2019/20

Name	Number of meetings	Number of full meeting attended
Howard Davies (Chair)	1	1
Geraint Davies	1	1
Elizabeth Haywood	1	1
Zoe Henderson	1	1
Rosie Plummer	1	1

## Flood Risk Management Committee (formerly Advisory Group)

The Committee is advisory and reports to the Natural Resources Wales Board. Its primary responsibilities are to scrutinise Flood Risk Management (FRM) investment programmes for current and future years, and to consider key issues which may affect the delivery of FRM-related work in Wales. In May 2020 the NRW Board approved a request for the Group to change its name to bring it in line with other Board Committees.

The Committee comprises four non-executive members of the Board along with the Executive Director for Finance and Corporate Services, Executive Director for Evidence, Policy and

Permitting, Head of Flood and Incident Risk Management and Head of Finance.

FRMC reviewed areas including:

- prioritisation of flood risk management activities
- governance of the flood risk management capital programme
- the latest medium-term plan for our capital programme
- the current performance indicators relating to the condition of NRW maintained flood risk assets
- the Internal Drainage District rates and precepts for 2020/21.

## Board member FRMC Attendance 2019/20

Name	Number of meetings	Number of full meeting attended
Elizabeth Haywood (Chair)	3	3
Chris Blake	3	2
Julia Cherrett	3	3
Geraint Davies	3	2

## Board effectiveness

Following a period of induction for new board members our Board members have undertaken two development sessions in December 2019 and January 2020 to consider their own effectiveness and ways of working. One of these was a facilitated session to agree what improvements could be made in ways of working with ET, who undertook the same exercise. Thoughts have been captured and further joint work will be done later this year. A 360 feedback process was also designed and implemented to gather feedback for Board members and our Chair is working with a member of our Board on how to best use that feedback to further develop the individual and collective impact of the Board. Our Chair has also completed performance appraisals with all board members.

## Our Executive

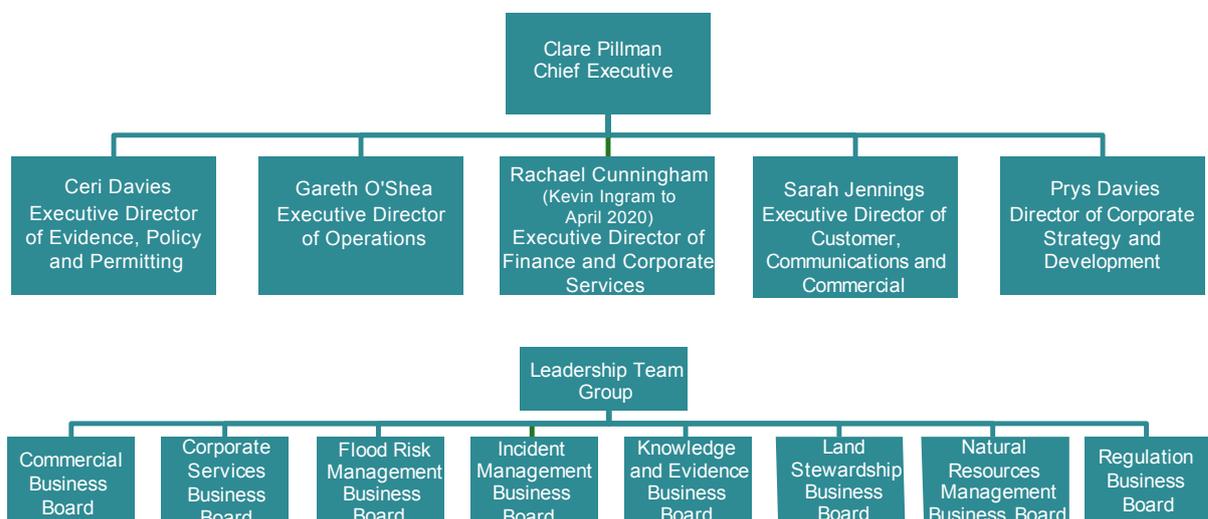
Day-to-day management of our organisation is delivered through the ET, comprising of myself as Chief Executive and five Executive Directors and Directors who report to me. ET meet monthly to consider core corporate business, for example budget updates, performance information, wellbeing health and safety, the strategic risk register, Welsh Government sponsorship arrangements etc. They also scrutinise

and consider decisions concerning strategy, policy and operational issues. Our agendas and minutes are published on the intranet each month for all staff to read.

We produce an annual business plan that outlines steps we will take towards meeting commitments in our longer term Corporate Plan to 2022. This includes corporate targets and outcomes that we monitor delivery against. Detailed Management Information is reviewed monthly at ET meetings with a summary Corporate Performance Dashboard being reviewed before scrutiny from the NRW Board and Welsh Government on a quarterly basis.

We had not yet published our annual Business Plan for 2020/21 when significant lockdown restrictions were implemented therefore we agreed with Welsh Government to delay publication whilst we reviewed our delivery plan in light of Covid-19. We published this revised plan in November 2020.

We have worked collaboratively with 11 other public bodies to develop a shared Strategic Equality Plan (SEP), which we expect to complete in the desired timescales despite some delays. In parallel, NRW are translating the shared objectives into an NRW-specific SEP, ensuring clear outcomes are in place.



Source NRW:Internal Governance Structure September 2020

Whilst we have an action plan in place for 2020-21, COVID-19 has affected our ability to deliver on those objectives in the short term, for example we have had to rethink our approach to engagement with the community.

Below ET, our Leadership Team plays a leading role in managing the business on a day to day basis. Its members are all the Heads of departments that report to our ET including those in our corporate functions (such as Finance, HR, Communications). The Leadership Team Group (LTG) meets monthly to resolve cross-cutting issues, for example the initial work around budget priorities, and to review detailed performance, such as our monthly management information.

Our new structure emphasises place-based delivery: seven Heads of Place within the single Operations Directorate each oversee delivery of all our functions in a specific region of Wales. We then have nominated Heads of Service (who are each also a Head of Place) who take a lead for overseeing delivery of a particular function throughout Wales. The Heads of Service work closely with our policy leads - called Heads of Business - who oversee the strategic direction of our work across Wales.

To ensure a join up between strategic thinking and operational delivery, we have a series of Business Boards which set the policy requirements and plan the operational nature of our work across the new place-based structure. These are each led by our Head of Business / Head of Service.

We are fortunate that absence as a result of Covid-19 has not been a significant issue. We did however put in place business continuity plans to ensure cover for key individuals e.g. Chair and Chief Executive or to deal with multiple absences which were agreed with Welsh Government.

As a category 1 responder under the Civil Contingencies Act (2004) we are experienced in reacting to incidents that can affect many parts of the organisation. We initially treated our response to Covid-19 as an incident. We established the Incident Response and Recovery Group (IRRG), although this time chaired by the Chief Executive with representation from across the organisation to tackle necessary changes and arrangements via relevant sub groups. Initially the group met daily, reviewing business continuity and resilience across our activities. We were also anticipating potential impacts on our customers and suppliers and looked to adapt our approach where possible to support them e.g. changing payment terms etc. As we worked through the initial stages of the effects of the pandemic the group moved to considering longer term impacts on our strategic work.

## Ministerial Directions

We have not received any Ministerial Directions this year.

## Our Internal Control Framework

Our internal control framework consists of policies, procedures, measures and accreditations we have in place to protect our resources while we deliver our objectives.

The pace of change to adapt to the pandemic restrictions has been rapid but also controlled. Our key financial controls within automated systems and our schemes of delegation to ensure appropriate segregation of duties remain in place. Where significant changes had been implemented new controls were identified e.g. to manage increased and sustained working from home, managers were all asked to maintain ICT asset lists of additional items which were taken home to support staff working.

## **Risk Management**

A robust risk management framework is an essential component in managing our business, protecting our resources and reputation. This year we have put a great deal of effort into improving our risk management framework, building on an external review by PricewaterhouseCoopers (PwC). We have appointed a Risk Manager, who has been working with the ET to develop the framework, supported by PwC. Significant improvements have been made to the management and reporting of risks, including the format and monitoring, and we have had several meaningful discussions at the ET and Audit and Risk Assurance Committee.

The Board has agreed the risk management principles, and the ET has agreed the risk and framework. As well as detailing the way in which risks should be managed and the roles and responsibilities, the policy also provides clear guidance of how risks are escalated. The ET owns the strategic risk register with each strategic risk being owned by a Director. Below ET, each Head of Place and Head of Business will own and monitor particular risks, scrutinised and challenged by the relevant Business Board, and our LTG will examine cross-cutting issues and determine which risks should be escalated to the strategic risk register.

ARAC scrutinises the strategic risk register by reviewing and challenging actions taken by management to manage risks. It gains assurance on the effectiveness of the risk management framework and provides the Board with advice to enable it to assure itself of the effectiveness of the risk management framework. The assurance may include deep dives into strategic risks or significant updates from the monitoring of risks.

The Board will set and communicate the Board's risk appetite in 2020/21, with

subsequent annual reviews to ensure it remains appropriate.

Some areas of the organisation are more advanced in terms of the management of their risks than others. A training programme for staff involved in risk management has been implemented in 2020/21.

## **Information assurance**

We are committed to ensuring data and information is well governed, managed and continues to achieve a balance between openness and security, making sure that staff and customers are assured of suitable levels of protection. The Senior Information Risk Owner (SIRO) continues to lead an integrated programme of work to strengthen our response to resilience against cyber and information security threats. We have once again passed our annual Cyber Essential Plus accreditation which is approved by the National Cyber Security Centre and independently audited by a qualified third-party specialist. We will continue to deliver a cyber security programme of work based on our recent cyber strategy. This includes initiatives for improving staff awareness including face to face sessions and cyber security online training.

This year I was pleased that we have had no information breaches which were reportable to the Information Commissioners Office (ICO).

We have mandatory annual online learning courses for staff on General Data Protection Regulation (GDPR) and Information Security to ensure everyone is aware and up to date on how we manage the information we receive and hold.

## Declaration of Interest

Our Managing Conflict of Interest policy and guidance supports all staff and the Board with our continuous process to declare any personal interests to help us manage any potential or perceived conflicts with their professional roles.

### Number of cases reported to the Information Commissioner's Office (ICO)

2019/20	2018/19	2017/18
0	1	1

## Whistleblowing

We are committed to the highest standards of openness, probity and accountability.

Therefore, we have established measures in place to raise serious concerns about malpractice or impropriety. We undertook a review of our whistleblowing policy and procedures this year and relaunched this to staff. Our framework now includes access to a new external reporting hotline where concerns can be raised anonymously. From 2020/21 NRW became a 'Prescribed Person', being added to a list of organisations and individuals that a worker may approach outside their workplace to report suspected or known wrongdoing.

### Number of whistleblowing cases reported)

2019/20	2018/19	2017/18
2	0	0

## Fraud

Our Counter Fraud Strategy is supported by Anti-Fraud and Anti Bribery and Corruption policies and risk assessments to structure how we focus our work in this area. We have mandatory annual online learning courses for staff on Anti-Fraud and Anti-Bribery and Corruption to ensure staff are aware of their professional responsibilities.

We have received seven allegations of fraud, which have been handled in accordance with NRW's anti-fraud, bribery and corruption process. These are reported to our Audit and Risk Assurance Committee and have been handled using agreed procedures, either by trained internal investigators or similarly well-trained external investigators. The final report on each case is referred to a panel of independent senior staff.

Some complex cases can take a great deal of time to investigate, partly because of the need to maintain evidence which could stand up in court. Nevertheless, we are committed to reducing the backlog of cases under investigation and have engaged external support this year from KPMG.

### Number of allegations reported

2019/20	2018/19	2017/18
7	23	14

## Compliance with the UK Corporate Governance Code

We have completed a basic review and established that our organisational structure, policies and procedures are set in line with the UK Corporate Governance Code.

Our leadership is consistent with expected senior management roles and responsibilities; supporting procedures are in place to ensure Board roles can operate effectively;

our reporting routes are clear to ensure accountability and appropriate division of duties and key internal controls are in place; remuneration of senior staff is considered by non- executives to ensure independence and we have regular meetings with our key stakeholders to maintain constructive working relationships.

Next year we plan to undertake a more comprehensive review as part of our Governance and Risk Improvement Plan.

**Our Assurance Framework**

Our assurance framework comprises of the following measures which are in place to ensure I receive timely evidence that the controls required are in place and working appropriately.

**Internal Audit**

We have an Internal Audit team which operates in accordance with the Public Sector Internal Audit Standards

(PSIAS). Each year an annual audit plan is developed based on a prioritisation of the key risk areas in relation to the fundamental activities of Natural Resources Wales, and its corporate plan, considering other sources of assurance. The plan is designed through consultation with myself and my ET.

As a result of Covid-19 Internal Audit followed the advice offered by the professional bodies (CIIA and ACCA). We reviewed the remaining audit plan for the year to establish the most critical audits, likely to have a significant bearing on the audit opinion, which we prioritised, and those that can be paused, deferred or cancelled. Internal Audit also considered the business’ capacity to deal with audits alongside dealing with the event itself. All changes to the audit plan were ratified by ARAC in April 2020. This resulted in the key reviews from 2019/20 plan being delivered, with no material impact on the end of the year overall opinion.

Total number of audits 2019/20	Substantial Audit Rating	Moderate Assurance Rating	Limited Assurance Rating	Unsatisfactory Assurance Rating	In draft
19	1	7	9	0	2

Status	Definition
Substantial	The framework of governance, risk management and control is adequate and effective.
Moderate	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Our Internal Audit team deliver the audit plan with regular progress updates and feedback to the Audit and Risk Assurance Committee. The opinion of the Internal Audit Manager, as set out in their annual assurance report, is as follows:

*In 2019/20 NRW delivered several significant initiatives, most notably Organisation Design and the Timber Governance Improvement Project. Further investment is also being made into driving up good governance practices and improved risk management through the Governance and Risk Improvement Programme. In addition, management have decided to set up a Portfolio Management Office and a project to improve contract management across organisation. There has also been a shift in management placing greater value on audit advice and good progress has been made in the management discharging audit recommendations in a timely way. This is a positive trajectory which, if continued, is likely to result in improvements in control framework, governance and risk management in the future years.*

*However, my professional evaluation of internal controls, governance and risk management has led me to conclude that that in 2019/20 a number of key controls were absent or were not being applied to meet business objectives. I can therefore offer a limited overall assurance opinion for this past year.*

*The annual audit opinion is primarily informed by the delivery of the Internal Audit plan. This year we provided limited assurance on nine key business areas. They included Accounts Receivable, Counter Fraud and Anti-bribery, External Complaints, Project and Programme Management, Contract Management, Recruitment, Area Statements, Conflict of Interest, and Reservoir Safety.*

*The audit coverage also included Accounts Payable, Single Tender Actions, Direct Production of Timber, Landfill*

*Disposal Tax, Flood Capital Programme, Energy Island, and Risk Management Improvement Plan, all of which received moderate assurance. Payroll received a substantial assurance opinion.*

*The number of areas where significant control weaknesses have been identified by audit has increased when compared to last year (where we had seven moderate and six limited opinions).*

*While NRW has implemented the OD in July 2019, some key governance elements such as Statutory and Legal Scheme of Delegation, establishment of two of the Business Boards and terms of reference for the key governance groups were delivered over the subsequent months. Effectiveness of the internal governance framework continues to evolve. Other aspects such as staff training have not yet been addressed in all areas. Several internal audits have found a detrimental impact on the business due to insufficient training and inadequate resourcing.*

*Significant long-standing weaknesses in the effective application of contract management from a procurement perspective and project and programme management continued to exist, with management now taking steps to address and drive through improvements.*

*During the year, NRW has continued to focus on improving the governance of timber sales, through the Timber Governance Improvement Project. The project closed in April 2020. As this is a recent development, we have not yet been able to independently evaluate the effectiveness of the improvements. We will re-visit these areas in 2020/21.*

*NRW's management have identified that risk management maturity needs to increase across the organisation. Our audit work to date confirms this. A risk management improvement programme has commenced in October 2019. We have audited the progress against the plan and were able to offer*

*moderate assurance on the progress to date. Areas where the organisation has made the most significant progress are the development of the corporate risk register and drafting of the risk management strategy and policy. However, the improvement in the organisation's risk maturity has not yet been significant and this area remains relatively weak, which has a bearing on the overall audit opinion for this year.*

### **External audit**

Independent scrutiny forms an important part of our assurance, providing evidence of our ways of working in relation to best practice and industry standards. In some parts of the organisation we are subject to, or we opt for, external audits or reviews of our work. Some are annual for example UK Woodland Assurance Scheme or the ISO14001:2015 to maintain our environmental management system. Others we request as one of many pieces of work to give ourselves further information about particular areas or activity.

On occasion the follow-up work from these audits continues over several years. We have been closely following delivery of recommendations following Grant Thornton's independent review of our timber sales operations. We published this review and shared it with the Senedd Cymru's Public Accounts Committee (PAC) following their concern at NRW's qualified accounts in previous years. I attended the PAC in January 2020 alongside our Chair, Sir David Henshaw to discuss progress made in addressing the recommendations to date. I am pleased this work is progressing through the recovery stage of the project and is now working to embed changes and improvements into business as usual across the organisation.

### **Effectiveness of internal control**

To provide additional assurance that these controls are in place and working well within NRW, members of ET have each signed a Certificate of Assurance and completed an Internal Control Checklist which required them to make an evidence-based assessment of the effectiveness of the control framework in place for their Directorate. This year these have been supported by returns from Chairs of Business Boards who have commented on controls now overseen through Business Boards e.g. Planning, Performance and Risk Management.

Overall results this year remain positive with ET members confirming that our control framework continues to be developed and applied across all work areas. Policies and procedures continue to be introduced or revised as necessary to adapt to external changes or internal gaps identified.

The majority of ET and Business Board returns recognised difficulties when implementing our risk management framework consistently across the organisation. We welcome the changes ahead following appointment of our first dedicated Risk Manager and the work to develop a new Risk Management Framework and expect to make significant progress in this area in 2020/21.

Consistency of application remains a concern in some areas, for example, performance management reviews, mandatory online training, records management due to ongoing prioritisation of other key work, such as the implementation of Organisational Design and significant incidents, such as flooding and Covid-19.

There is a sense from returns that now we have completed our Organisational Design programme and staff are settled

in to new roles, there will be space for increased focus on compliance and consistency throughout the organisation next year.

Although Covid-19 has presented many challenges the most significant has been our engagement work - with staff and external stakeholders, partners and customers. We are having to change our ways of working to find new ways of engaging and some of this will delay work e.g. community engagement, staff training modules, while we agree how we are going to do it, but this has not presented any significant internal control or governance issues.



**Clare Pillman**  
**Chief Executive and Accounting Officer**

**25 November 2020**

# Remuneration and Staff Report (audited)

## Remuneration Report

### Remuneration policy

The Board has established a People and Remuneration Committee to consider matters relating to the pay and conditions of employment of the most senior staff and overall pay strategy for all staff employed by NRW. The People and Remuneration Committee comprises four non-executive Board members. The Board Chair is an ex officio member of the Committee.

The Chair and Board members' remuneration is set by Welsh Ministers. The terms of contract for senior employees (Executive Team members) is based on NRW terms and conditions. The remuneration policy for the most senior staff is not subject to collective bargaining and the remuneration package is set by reference to a set of benchmark roles in the Welsh public service and to comparable organisations based in the UK.

There is a social partnership agreement in place with five trade unions and the setting of terms and conditions for staff below the Executive Team members is through collective agreement with the social partners. The Welsh Government approves any changes to pay, terms and conditions and gives a pay remit to NRW within which it must deliver. As part of this year's pay offer, we agreed, through formal consultation, a 2 year pay deal for the period 1 July 2018 to 30 June 2020 of 3% and a non-consolidated payment of £1,000. This offer did not apply, as already agreed through Job Evaluation consultation, to those who had previously opted out of the Job Evaluation Scheme.

### Service contracts

All appointments to the Board are made on behalf of the Minister for Environment, Energy and Rural Affairs. Board Members are appointed for a fixed term and are required to give three months' notice should they wish to leave before that.

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

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

### Salary and pension entitlements

The following sections provide details of the remuneration of members of the Board and the remuneration and pension interests of members of the Executive Team. Board members are not entitled to join the Civil Service Pension Scheme nor receive other benefits. Early termination, other than for misconduct, would result in the Executive Team members receiving compensation consistent with the Civil Service Compensation Scheme. Board members are not entitled to compensation.

<b>Board members' remuneration</b>			
<b>Board Memeber</b>	<b>Length of employment</b>	<b>Salary 2019/20 (£5,000 range)</b>	<b>Salary 2018/19 (£5,000 range)</b>
Karen Balmer <sup>1,2</sup>	9-11-16 to 8-11-22	10-15	15-20
Chris Blake <sup>1,16</sup>	9-11-15 to 31-8-21	10-15	10-15
Catherine Brown <sup>14,15</sup>	1-11-18 to 31-10-22	15-20	5-10
Julia Cherrett <sup>15</sup>	1-11-18 to 31-10-21	10-15	5-10
Geraint Davies <sup>15,16</sup>	1-1-19 to 31-10-24	10-15	0-5
Howard Davies <sup>1,11,16</sup>	9-11-15 to 31-8-21	10-15	10-15
Dr Ruth Hall CBE <sup>9</sup>	1-11-17 to 31-10-18	0	5-10
Dr Madeleine Havard (former Deputy and Acting Chair) <sup>3</sup>	1-11-17 to 31-10-18	0	10-15
Elizabeth Haywood <sup>1,12,16</sup>	9-11-15 to 31-8-21	10-15	10-15
Sir David Henshaw (Chair) <sup>13</sup>	1-11-18 to 31-10-23	45-50	15-20
Zoë Henderson <sup>1,10</sup>	9-11-15 to 8-11-22	15-20	15-20
Diane McCrea MBE (former Chair) <sup>4</sup>	1-12-15 to 19-7-18	0	20-25
Andy Middleton <sup>5</sup>	1-11-17 to 31-10-18	0	5-10
Steve Ormerod (Deputy Chair) <sup>8,15</sup>	1-11-18 to 31-10-22	15-20	5-10
Rosie Plummer <sup>15</sup>	1-11-18 to 31-10-21	10-15	5-10
Nigel Reader CBE <sup>6</sup>	1-11-17 to 31-10-18	0	5-10
Peter Rigby <sup>15</sup>	1-11-18 to 31-10-21	10-15	5-10
Sir Paul Williams OBE <sup>7</sup>	1-11-17 to 31-10-18	0	5-10

- 1 Geraint Davies was re-appointed. The appointment of NRW Board Members is the responsibility of Welsh Government and are appointed on varying lengths of terms.
- 2 Karen Balmer was appointed as Chair of the Audit and Risk Assurance Committee (ARAC) from 1 September 2017 to 31 May 2019. Her full year equivalent salary as ARAC Chair was £15,000 to £20,000 and from 1 June 2019 is £10,000 to £15,000.
- 3 Madeleine Havard was the Deputy Chair of the Board until 19 July 2018. Her full year equivalent salary as Deputy Chair was £15,000 to £20,000. She was appointed as the Acting Chair of NRW for the period 20 July 2018 to 31 October 2018. Her full year equivalent salary as Acting Chair was £30,000 to £35,000, which was based on 72 days per annum. She was also Chair of the Flood Risk Management Advisory Group until 31 October 2018.
- 4 During 2018/19 Diane McCrea received back pay for the additional days she had worked from 1 September 2017 to 19 July 2018 which was based on a time commitment of 96 days per annum. Her full-time equivalent salary based on 96 days per annum was £40,000 to £45,000.
- 5 Andy Middleton was Chair of the Protected Areas Committee until he finished on the 31 October 2018. His full year equivalent salary for 2018/19 was £10,000 to £15,000.

- 6 Nigel Reader's full year equivalent salary for 2018/19 was £10,000 to £15,000.
- 7 Sir Paul Williams was Chair of the People and Remuneration Committee (PaRC) until 31 August 2018. His full time equivalent salary as the Chair of PaRC was £15,000 to £20,000. From 1 September 2018, his full-time equivalent salary was £10,000 to £15,000.
- 8 Steve Ormerod was appointed as Deputy Chair from 1 June 2019. His full year equivalent salary for the period 1 April 2019 to 31 May 2019 was £10,000 to £15,000 and for the period 1 June 2019 to 31 March 2020 is £15,000 to £20,000.
- 9 Ruth Hall's full year equivalent salary for 2018/19 was £10,000 to £15,000.
- 10 Zoë Henderson was appointed Chair of the People and Remuneration Committee (PaRC) on 1 September 2018. Her full year equivalent for 1 April 2018 to 31 August 2018 was £10,000 to £15,000 and as Chair of PaRC is £15,000 to £20,000.
- 11 Howard Davies was appointed as Chair of the Protected Areas Committee from 1 November 2018.
- 12 Elizabeth Haywood was appointed as Chair of the Flood and Risk Management Advisory Group (later Flood Risk Management Committee) from 1 November 2018.
- 13 Sir David Henshaw's full year equivalent salary for 2018/19 was £45,000 to £50,000. His contract has been extended for another 4 years from 1 November 2019.
- 14 Catherine Brown was appointed as Chair of the Audit and Risk Assurance Committee (ARAC) from 1 June 2019. Her full year equivalent for 1 April 2019 to 31 May 2019 was £10,000 to £15,000 and as ARAC Chair is £15,000 to £20,000.
- 15 The full year equivalent salary in 2018/19 of the board members who started during the year was £10,000 to £15,000.
- 16 The terms of these Board members have been extended

Executive Team Member	Salary (£5,000 range)	Salary (£5,000 range)	Benefits in kind (nearest £100)	Benefits in kind (nearest £100)	Pension Benefits (nearest £1,000)	Pension Benefits (nearest £1,000)	Total (£5,000 range)	Total (£5,000 range)
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Clare Pillman <sup>1</sup> (Chief Executive)	140-145	130-135	0	0	112,000	284,000	250-255	410-415
Ceri Davies	105-110	100-105	0	0	33,000	38,000	135-140	140-145
Prys Davies <sup>2</sup>	85-90	0	0	0	63,000	0	145-150	0
Ashleigh Dunn <sup>3</sup>	0	30-35	0	0	0	8,000	0	40-45
Kevin Ingram	95-100	95-100	0	0	22,000	18,000	120-125	115-120
Tim Jones <sup>4</sup>	50-55	90-95	0	0	7,000	0	55-60	90-95
Catherine Love <sup>5</sup>	10-15	75-80	0	0	5,000	30,000	15-20	105-110
Gareth O'Shea	95-100	90-95	0	0	32,000	26,000	125-130	115-120
Niall Reynolds <sup>6</sup>	5-10	75-80	0	0	0	8,000	5-10	85-90

- 1 Clare Pillman's role within NRW resulted in a significant increase in pension and lump sum accrued at 31 March 2019 and thus the pension benefits figure disclosed for 2018/19 above, which is calculated per footnote 7. Clare Pillman received a pay award in 2019/20 which resulted in a further increase to her accrued pension benefits as disclosed in the table above. The actual employer pension contribution was 30.3% of her salary.
- 2 Prys Davies was appointed on 1 April 2019 as Director of Corporate Strategy and Development. His role within NRW resulted in an increase in pension and lump sum accrued at 31 March 2020 and thus the pension benefits figure disclosed for 2019/20 above, which is calculated per footnote 7. The actual employer pension contribution was 30.3% of his salary.
- 3 Ashleigh Dunn finished 31 July 2018. Her full year equivalent salary for 2018/19 was £90,000 to £95,000.
- 4 Tim Jones finished 10 October 2019. His full-time equivalent salary for 2019/20 is £90,000 to £95,000.
- 5 Catherine Love finished 31 May 2019. Her full-time equivalent salary for 2019/20 is £75,000 to £80,000.
- 6 Niall Reynolds finished 30 April 2019. His full-time equivalent salary for 2019/20 is £75,000 to £80,000. Mr Reynolds opted out of the pension scheme with effect from 30/03/2019 so did not build up any pension benefits during 2019/20.
- 7 The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, plus the real increase in any lump sum, less contributions made by the individual. The real increases exclude increases due to inflation or any increases or decreases due to a transfer of pension rights. This value does not represent an amount that will be received by the individual. It is a calculation that is intended to convey to the reader of the accounts an estimation of the benefit that being a member of the pension scheme could provide. The pension benefit table provides further information on the pension benefits accruing to the individual. This does not represent what the employer has contributed to the pension schemes.

## **Salary**

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

## **Performance-related pay**

For Executive Team members, any movement through the pay points and beyond is only for consistent outstanding performance as assessed by the Chief Executive and confirmed by the People and Remuneration Committee.

## **Benefits in kind**

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the HM Revenue and Customs as a taxable emolument. None of the Board members or Executive Team received benefits in kind during 2018/19 and 2019/20.

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

Executive Team member	Accrued Pension at pension age as at 31/03/20 £000	Accrued Lump Sum at pension age as at 31/03/20 £000	Real Increase in pension at pension age £000	Real Increase in Accrued Lump Sum at pension age £000	CETV at 31/03/20 £000	CETV at 31/03/19 £000	Real Increase in CETV £000
Clare Pillman (Chief Executive)	55-60	135-140	5-7.5	7.5-10	1115	976	88
Ceri Davies	45-50	65-70	0-2.5	0-2.5	876	819	19
Prys Davies	25-30	50-55	2.5-5	2.5-5	425	365	40
Kevin Ingram	35-40	40-45	0-2.5	(0-2.5)	579	528	20
Tim Jones <sup>1</sup>	40-45	130-135	2.5-5	10-12.5	991	908	4
Catherine Love <sup>2</sup>	5-10	0	0-2.5	0	101	97	2
Gareth O'Shea	45-50	80-85	0-2.5	0-2.5	849	803	17

<sup>1</sup>To 10 October 2019.

<sup>2</sup>To 31 May 2019.

## Cash Equivalent Transfer Values

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has

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

## Real increase in CETV

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

### **Compensation for loss of office**

Tim Jones left under voluntary exit on 10 October 2019. He received a voluntary exit package of £95,000 to £100,000.

Kevin Ingram agreed to leave under voluntary exit during 2019/20 and as such, his exit package has been included in the Exit Packages table on page 74. He received a voluntary exit package of £95,000 to £100,000 in April 2020.

### **Fair pay disclosure**

NRW and similar bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce. Total remuneration includes salary and benefits in kind where applicable. It does not include severance payments, employer pension contributions and the CETV.

In 2019/20, 3 contract staff (2018/19: 2) were charged at a rate in excess of the highest-paid director. The banded remuneration of the highest paid Director (CEO) in the financial year 2019/20 was £140,000 to £145,000 (2018/19: £130,000 to £135,000). This was 4 times (2018/19: 4 times) the median remuneration of the workforce which was £35,503 (2018/19: £33,424). Staff pay scales range from £17,942 to £67,020. Directors' remuneration is shown in the table above.

## Staff report

This report provides information on the composition and costs of our workforce.

### Number of employees and other staff by headcount and full time equivalent (FTE) at 31 March 2020

	Male Headcount	Male FTE	Female Headcount	Female FTE	Total	Total
All employees and other staff of which:	1,221	1,196	966	896	2,187	2,092
Leadership team	11	11	11	9	22	20
Executive team	3	3	2	2	5	5

### Number of employees and other staff by headcount and full time equivalent (FTE) at 31 March 2019

	Male Headcount	Male FTE	Female Headcount	Female FTE	Total	Total
All employees and other staff of which:	1,155	1,130	905	827	2,060	1,957
Leadership team	14	14	7	6	21	20
Executive team	4	4	3	3	7	7

### Average number of full-time equivalent employees and other staff during the year was:

	Permanent staff 2019/20	Others 2019/20	Total 2019/20	Total 2018/19
Directly employed:	1,788	51	1,839	1,832
Agency and contract staff	0	168	168	123
<b>Total</b>	<b>1,788</b>	<b>219</b>	<b>2,007</b>	<b>1,955</b>

Numbers increased as a result of recruitment to the new organisational structure created from the re-design implemented in early 2019/20.

The average full-time equivalent number of staff employed on capital projects was 178.9 (2018/19: 141.9).

## Staff costs

	2019/20 Permanent staff £'000	2019/20 Other staff £'000	Total £'000	Total £'000
Wages and salaries	65,050	12,555	77,605	68,755
Social security costs and other taxation	6,858	437	7,295	6,417
Other pension costs	20,999	268	21,267	13,416
<b>Total net salary costs</b>	<b>92,907</b>	<b>13,260</b>	<b>106,167</b>	<b>88,588</b>
<b>Other expenditure for staff</b>		<b>Note</b>		
Exit package costs			1,470	354
IAS 19 (pensions) additional service charge		14	12,513	13,865
Less early retirement pension costs			(260)	0
Less in-year LGPS pension contributions			(11,699)	(7,089)
Transfer to provision for Annual Compensation Payments			39	2
Other staff costs			0	0
Movement in accrued holiday pay			(59)	880
<b>Total other expenditure for staff</b>			<b>2,004</b>	<b>8,012</b>
Less amounts charged to capital projects			(7,919)	(6,466)
<b>Total staff costs</b>			<b>100,252</b>	<b>90,134</b>

*Details of NRW's pension obligations can be found in Note 14.*

*Details of the remuneration of Board members and directors are in the remuneration report. Bought-in services in Note 5 (other expenditure) includes £7.7 million of expenditure on consultants.*

### Pension schemes

Natural Resources Wales is a member of two pension schemes. The Principal Civil Service Pension Scheme is an open scheme and Natural Resources Wales is a closed member of the Environment Agency Pension Fund under a community admission agreement. Further details of these pension schemes are shown below.

### Principal Civil Service Pension Scheme contributions

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) - known as Alpha - are unfunded multi-employer defined benefit schemes, but Natural Resources Wales is unable to identify its share of the underlying assets

and liabilities. The scheme actuary valued the PCSPS as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation at [www.civilservicepensionscheme.org.uk/about-us/resource-accounts/](http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/)

For 2019/20, employer's contributions of £9,472k were payable to the PCSPS (2018/19: £6,939k) at one of four rates in the range 26.6% to 30.3% of pensionable earnings (for 2018/19 20% to 24.5%), based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2019/20 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

### **Stakeholder partnership pensions**

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £97k (2018/19: £94k) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75%. Employers also match employee contributions of up to 3% of pensionable earnings. In addition, employer contributions of £4k, 0.5% of pensionable pay (In 18/19 £3k), were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

No contributions were due to the partnership pension providers at the balance sheet date, and no contributions were prepaid.

### **Local Government Pension Scheme contributions**

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

The LGPS is a funded, statutory, defined contribution public service pension scheme. Every three years the EAPF undertakes a valuation in conjunction with the Scheme Actuary. The 31 March 2019 valuation assessed the EAPF financial position with a funding level of 106% (2016: 103%). The main purpose of the actuarial valuation is to review the financial position of the fund and to set the level of future contributions for employers in the fund.

The UK Government introduced regulations in 2016 which require LGPS funds to pool investments to improve efficiency. Brunel Pension Partnership was created, comprising the EAPF and nine other LGPS funds to meet this obligation.

Natural Resources Wales has a community admission agreement with the EAPF to participate in the LGPS, which was approved by the Secretary of State for Communities and Local Government in respect of former Environment Agency Wales staff who transferred to NRW on 1 April 2013. The liabilities for former members employed by the Environment Agency in respect of Welsh functions (pensions in payment and deferred members) also transferred. The Welsh Government has entered into a guarantee with the EAPF to indemnify them for any liabilities that arise from the participation of NRW in the EAPF.

For 2019/20 the employer's contribution rate was 23.9% (2018/19: 21.9%). In 2019/20 employer's contributions of £11,699k were paid to the LGPS (2018/19: £7,089k) which included an additional payment to reduce the balance on the IAS 19 pension fund. Additionally, £260k of early retirement strain costs were paid as part of exit packages.

## Exit packages

The total number of exit packages by cost band:	2019/20	2018/19
Under £10,000	3	0
£10,001 - £25,000	7	0
£25,001 - £50,000	6	3
£50,001 - £100,000	15	3
£100,001 - £150,000	0	0
<b>Total</b>	<b>31</b>	<b>6</b>
<b>Resource cost</b>	<b>£1,470,000</b>	<b>£354,000</b>

There were no compulsory redundancies in 2019/20 or 2018/19.

Voluntary exit costs have been paid in accordance with provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. The table above shows the total cost of exit packages agreed and accounted for in the year, but payments are made in the year of departure. £1,143,000 exit costs were paid in 2019/20. Where NRW has agreed early retirements, the additional costs are met by NRW and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Where the legacy bodies agreed early retirements, the costs were accounted

for in full in the year in which they were agreed, and a provision made for future commitments. The annual compensation payments in respect of these are shown in Note 13 (Provisions).

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

### Sickness absence (not subject to audit)

Our sickness absence rate for the rolling year (1 April 2019 to 31 March 2020) showed an average of 8.2 days lost per employee and equates to 3.7%. This was against a target of an average of up to 7 days lost, which equates to 3.1% of available working days.

## Disability policies (not subject to audit)

### Disability Confident Employer

In May 2019, we successfully completed our self-assessment exercise and as a result, The Department of Work and Pensions has re-accredited NRW as a Disability Confident Employer until 27 May 2020.

### 'Two Ticks' guaranteed Interview Scheme

During the 2019 calendar year we continued to be 100% compliant with our 'Two Ticks' guaranteed interview scheme where applicants who declare themselves as disabled, in line with the Equality Act 2010 definition, and meet the minimum criteria for the role applied for are automatically invited to interview.

Externally we received applications from 1704 people of which 37 (2.2%) people requested a guaranteed interview. 18 of those were invited to interview and the remaining 19 did not meet the minimum criteria.

Internally we received applications from 833 people of which 7 (0.84%) people requested a guaranteed interview. 5 of those were invited to interview and the remaining 2 did not meet the minimum criteria.

### Assisted User Group

We have an active Assisted User Group staff network which provides advice and opinion on both existing and new IT and telephony issues for members of staff that have reasonable adjustments made to their workspaces. We have found this group particularly useful due to their ability to test new initiatives such as accessibility to our externally hosted staff surveys. The network is key

to ensuring our systems are usable by all staff and shares best practices with user group members and regularly user-tests newly proposed systems on behalf of the organisation.

### Dementia Friends

NRW is nearing the end of its third year working to become an accredited Dementia Friendly Community. We created our third action plan, for the period of April 2019 to March 2020, and we appointed a Dementia Friendly Project Advisor in December 2019 to help drive this work forwards.

Our focus this year was twofold. Firstly, to continue identifying dementia friendly projects. This included reviewing facilities at our visitor centres throughout Wales and looking for further opportunities to work with Public Services Boards and other partners in this area. Secondly, we strengthened our internal and external engagement, to point colleagues and customers to relevant resources, and to increase media coverage around our learning and successes and encourage others to follow our lead.

Looking forward, we are considering how best to embed our aspirations in this work area into our organisational planning and reporting processes, to enable us to track and collate evidence of our progress.

Finally, we intend to submit evidence of work over the last three years to the Alzheimer's Society for consideration as Dementia Friendly Community of the Year (large organisation category) for 2020.

## **Cwtch, Care Network**

A new network was created to recognise, support and value our colleagues within NRW who care for their loved ones for a variety of reasons.

The Cwtch network's primary aim is to provide a focus for organisational cultural change for our colleagues with caring responsibilities and for it to inform a more inclusive and diverse workplace going forward. By

- Bringing people together to connect and talk about their caring responsibilities
- The provision of a mutually supportive environment where everyone is heard
- Sharing information and insight based on personal experiences and up to date research
- Sign posting to sources of information and to other organisations that can help
- By encouraging staff and managers to start a conversation about caring to promote better understanding and empathy and to encourage carers to come forward for support

A yammer group has been set up, which is continuing to grow and we are already reaching 23% of the 155 individuals who have self-disclosed having caring responsibilities.

## **Other employee matters (not subject to audit)**

During 2019/20 we continued to develop, in partnership with the Trade Unions a new Enhancement and Payments policy.

## Off-payroll engagements (not subject to audit)

NRW is required to publish information about appointments of consultants or staff that last longer than 6 months and where the individuals earn more than £245 per day, where we pay by invoice rather than through payroll.

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

### Off-payroll engagements as of 31 March 2020, for more than £245 per day and that last for longer than six months

Number of existing engagements at 31 March 2020 that have existed for:	Number of contractors
less than one year	16
between one and two years	27
between two and three years	13
between three and four years	4
four or more years	13
<b>Total</b>	<b>73</b>

The majority of the contractors are supporting the Transformation team in developing and transforming our ICT systems.

### New off-payroll engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020, for more than £245 per day and that last for longer than six months

Number of new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020	Number of contractors
Total,	78
of which	
The number assessed as caught by IR35	0
The number assessed as not caught by IR35	78
The number engaged directly and are on the NRW payroll	0
The number of engagements reassessed for consistency / assurance purposes during the year.	0
The number of engagements that saw a change to IR35 status following the consistency review.	0

# Parliamentary and Audit Report (audited)

## Losses and special payments

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

## Individual losses of £300,000 or more

There were no losses or special payments of £300k or more throughout 2019/20.

## Losses and special payments by category

The table below provides the number of write offs and special payment requests approved in the year.

Category or type of loss	2019/20 Number	2019/20 £'000	2018/19 Number	2018/19 £'000
Write-off of irrecoverable debts	16	23	118	133
Loss of assets	14	294	15	21
Other losses (cash losses, fruitless payments, unenforceable claims, or gifts)	10	6	1	12
Special payments	2	2	7	316
<b>Total</b>	<b>42</b>	<b>325</b>	<b>141</b>	<b>482</b>

Loss of assets include £149k of partial impairments of assets which is included within Depreciation, amortisation and impairments in note 5 to the Financial Statements.



**Clare Pillman**  
Chief Executive and Accounting Officer

**25 November 2020**

# The Certificate and Independent Auditor's Report of the Auditor General for Wales to the Senedd

## Report on the audit of the financial statements

### Opinion

I certify that I have audited the financial statements of Natural Resources Wales for the year ended 31 March 2020 under paragraph 23 of the Schedule to the Natural Resources Body for Wales (Establishment) Order 2012. These comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash flows, Statement of Changes in Taxpayers Equity and related notes, including a summary of significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In my opinion the financial statements:

- give a true and fair view of the state of Natural Resources Wales' affairs as at 31 March 2020 and of its net operating costs for the year then ended; and
- have been properly prepared in accordance with Welsh Ministers' directions issued under the Natural Resources Body for Wales (Establishment) Order 2012.

### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of Matter

- **The effects of COVID-19 on the interim valuations of the Forest Estate, Biological Assets, Other land, Buildings and Operational structures** I draw attention to Note 7 to the financial statements, which describes the material valuation uncertainty clauses in the valuation reports on the Forest Estate, Biological assets, Other land, Buildings and Operational structures which have arisen from circumstances caused by the COVID-19 pandemic. My opinion is not modified in respect of this matter.
- **The effects of Covid-19 on the valuation of pension fund property assets** I draw attention to Note 14 to the financial statements which describes a material valuation uncertainty clause in the valuation reports on certain pension fund assets arising from circumstances caused by the COVID-19 pandemic. My opinion is not modified in respect of this matter.

## Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Accounting Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other information

Legislation and directions issued to Natural Resources Wales do not specify the content and form of the other information to be presented with the financial statements. The Accounting Officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

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

## Qualified opinion on regularity

In my opinion, except for the possible effects of the matters described in the below 'basis for qualified regularity opinion' paragraphs, in all material respects the expenditure and income in the financial statements have been applied to the purposes intended by the Senedd and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Basis for qualified regularity opinion

Note 6 to the financial statements records timber income of £25.2 million in 2019-20 (£26.3 million in 2018-19).

From 2016 to 2018 Natural Resources Wales let 82 timber contracts known as standing sales plus contracts. Timber prices under these contracts reflected a requirement on the purchaser to harvest the timber, undertake any required civil engineering works and where applicable, restock the site.

I qualified my 2018-19 regularity opinion with regards to the award of a series of timber standing sales plus contracts. During 2019-20 Natural Resources Wales continued to receive material income totalling £2.6million (£3.1million in 2018-19) in respect of these same contracts. I have therefore qualified my 2019-20 regularity opinion for the same reasons as in 2018-19, which are as follows:

- In the letting of the 82 standing sales plus timber contracts, I have significant uncertainty Natural Resources Wales acted in compliance with the principles of public law, EU procurement rules, its Financial Scheme of Delegation or its own Establishment Order.

- Furthermore, under Natural Resources Wales' framework of authority it is required to refer any activities which appear novel, contentious and/or repercussive to its sponsor department within the Welsh Government. Natural Resources Wales did not refer its decision to enter in to the 82 timber sales contracts, which I consider to be novel, contentious and/or repercussive, to its sponsor department. I therefore consider the transactions relating to these contracts to be unlawful.

Further details on these matters are set out in my accompanying Report on pages 85 to 87.

## Report on other requirements

### Opinion on other matters

Although there are no legislative requirements for a Remuneration Report, Natural Resources Wales has prepared such a report and in my opinion, that part ordinarily required to be audited has been prepared in accordance with HM Treasury guidance.

In my opinion, based on the work undertaken in the course of my audit:

- the information given in the Governance Statement for the financial year for which the financial statements are prepared] is consistent with the financial statements and the Governance Statement has been prepared in accordance with Welsh Ministers' guidance;
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Report has been prepared in accordance with Welsh Ministers' guidance.

### Matters on which I report by exception

In the light of the knowledge and understanding of the body and its environment obtained in the course of the audit, I have not identified material misstatements in Annual Report or the Governance Statement.

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

- proper accounting records have not been kept;
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- information specified by Welsh Ministers regarding the remuneration and other transactions is not disclosed.

Other than in respect of the transactions referenced in the above 'basis for qualified regularity opinion' paragraphs, I have received all of the information and explanations I require for my audit.

## Responsibilities

### Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for preparing the financial statements in accordance with the Natural Resources Body for Wales (Establishment) Order 2012 and Welsh Ministers' directions made there under, for being satisfied that they give a true and fair view and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the body's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### **Responsibilities for regularity**

The Accounting Officer is responsible for ensuring the regularity of financial transactions.

I obtain sufficient evidence to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the Senedd and the financial transactions conform to the authorities which govern them.

Adrian Crompton  
Auditor General for Wales  
30 November 2020

24 Cathedral Road  
Cardiff  
CF11 9LJ

# Report of the Auditor General for Wales on NRW's 2019-20 Financial Statements: Standing Sales Plus Contracts

- 1 Natural Resources Wales (NRW) is a Welsh Government sponsored body created for the purpose of ensuring that the environment and natural resources of Wales are:
  - sustainably maintained;
  - sustainably enhanced; and
  - sustainably used<sup>[1]</sup>.
- 2 NRW became operational from 1 April 2013, taking over responsibility for delivering the functions of the former Countryside Council for Wales, Environment Agency Wales, and the Forestry Commission Wales.
- 3 Under paragraph 23 of Schedule 1 to the Natural Resources Body for Wales (Establishment) Order 2012 (the 'Establishment Order'), I am required to examine, certify and report on the statement of accounts of NRW. My audit certificate on pages 81 to 84 contains my opinion that the financial statements give a 'true and fair view'.
- 4 My certificate also includes my 'regularity' opinion, ie my opinion on whether the expenditure and income shown in the accounts have been applied to the purposes intended by the National Assembly for Wales and whether the financial transactions conform to the authorities that govern them.
- 5 In July 2019, I qualified my regularity opinion on NRW's 2018-19 accounts. This related to contracts known as Standing Sales Plus (SS+) contracts that combined timber sales with the requirement to undertake civil engineering work and the restocking of felled sites. The reasons for my qualification were as follows:
  - For a decision of a public body to be lawful it must be made in accordance with applicable legislation and with public law principles. Public bodies must (a) take into account and (b) follow relevant policies, unless they have a good reason to depart from them. At the very least they must have stated clear reasons for the departures. I found that in respect to the introduction and award of SS+ contracts NRW departed from its own policies without being able to demonstrate good reason for doing so in the following ways:
    - i. In its Timber Marketing Plan 2017-22, NRW said it would carefully assess the performance of a pilot of SS+ contracts to make sure that this new approach to timber sales was capable of meeting NRW's outcomes and providing good value for money and customer benefit. NRW did not carry out an assessment but nevertheless extended its use of SS+ contracts.

[1] The Environment (Wales) Act 2016 amended the general purpose of the Natural Resources Body for Wales to: 'The Body must pursue sustainable management of natural resources in relation to Wales, and apply the principles of sustainable management of natural resources, in the exercise of its functions, so far as consistent with their proper exercise.'

- ii. In its procurement policies NRW set out how it would procure works and services. NRW did not comply with its procurement policies when procuring civil engineering works and restocking services as part of SS+ contracts
  - NRW is required to comply with EU procurement rules. The rules governing the award of contracts for goods, works and services have been enshrined in UK law through the Public Contract Regulations 2015 (PCR 2015). I found that NRW did not fully comply with the PCR 2015 when procuring SS+ contracts.
  - Public law requires public bodies to take into account all relevant considerations and disregard irrelevant considerations when taking decisions. NRW was unable to provide me with contemporaneous documentation setting out its rationale for introducing SS+ contracts and how it considered the potential risks and benefits of this new approach to timber sales.
  - NRW is required to comply with its Framework Document and Managing Welsh Public Money, which at that time required NRW to refer novel, contentious and/or repercussive proposals to the Welsh Government. I considered the proposal to introduce SS+ contracts novel and the introduction of SS+ contracts contentious and/or repercussive. NRW did not make a referral to the Welsh Government as required by its Framework Document and Managing Welsh Public Money.
  - NRW's Board made a Scheme of Delegation under the provisions of the Natural Resources Body for Wales Establishment Order 2012 (the Order). This Scheme of Delegation grants delegated powers to specified NRW office holders to agree timber sales contracts on behalf of NRW. I found that a number of SS+ contracts and contract extensions were not properly authorised under the Financial Scheme of Delegation approved by NRW's Board. In consequence these contracts were not entered into lawfully.
  - Article 8 of NRW's Establishment Order states that in considering whether or not to exercise any power conferred upon it by or under any enactment, NRW must take into account the likely costs and benefits of the exercise or non-exercise of that power'. I found that the use of average pricing within SS+ contracts was not conducive to an assessment of costs and benefits. Furthermore, I saw no evidence that NRW took into account likely costs and benefits when it first introduced SS+ in 2016-17 or carried out a subsequent assessment of the costs and benefits of their continued use.
- 6 In late 2018 NRW became aware of concerns regarding SS+ contracts and it took immediate action to suspend the award of this type of contract. It has not awarded any SS+ contracts since then. However, 82 SS+ contracts awarded prior to the suspension continued in force during the 2019-20 financial year. NRW received £2.6million in income from these contracts which is included within NRW's 2019-20 financial statements.

- 7 I consider that SS+ income within NRW's 2019-20 financial statements is irregular for the same reasons I qualified my 2018-19 regularity opinion (as set out in paragraph 5) and therefore qualify my regularity opinion on NRW's 2019-20 financial statements.
- 8 My qualification relates to historic decisions taken by NRW on which I have previously reported and does not give rise to any new matters of concern.
- 9 During 2019-20 NRW sought to bring those SS+ contracts still operating to an early conclusion by negotiating with contractors. These negotiations involved contractors making payments to NRW in exchange for release from their contractual obligations to restock felled sites. NRW has successfully completed these negotiations with all but two SS+ contractors. NRW has included £0.5million in income within its 2019-20 accounts relating to the completed negotiations.

# Financial Statements and Notes to the Accounts

## Statement of Comprehensive Net Expenditure

For the year ended 31 March 2020

	Note	2019/20 £'000	2018/19 £'000
Staff costs	3	100,252	90,134
Capital works expensed in year	4	11,751	17,654
Other expenditure	5	95,139	93,544
<b>Total operating expenditure</b>		<u>207,142</u>	<u>201,332</u>
Charge income	6	(38,223)	(39,468)
Commercial and other income	6	(34,333)	(35,076)
European and other external funding	6	(1,141)	(1,543)
<b>Total operating income</b>		<u>(73,697)</u>	<u>(76,087)</u>
<b>Net operating expenditure</b>		<u><b>133,445</b></u>	<u><b>125,245</b></u>
Financing on pension scheme assets and liabilities	14.2.5	1,369	930
<b>Net expenditure for the year</b>		<u><b>134,814</b></u>	<u><b>126,175</b></u>
<b>Other comprehensive net expenditure</b>			
Pension actuarial remeasurements	14.2.5	(56,500)	15,898
<b>Revaluation</b>			
Net gain on revaluation		(18,660)	(19,296)
<b>Total comprehensive net expenditure for the year</b>		<u><u><b>59,654</b></u></u>	<u><u><b>122,777</b></u></u>

The notes on pages 93 to 129 form part of these accounts.

## Statement of Financial Position

As at 31 March 2020

		31 March 2020	31 March 2019 (Restated)	31 March 2018 (Restated)
	Note	£'000	£'000	£'000
<b>Non-current assets</b>				
Property plant and equipment	7.1	1,066,515	880,805	812,436
Heritage assets	7.1	7,099	7,000	6,432
Biological assets	7.1	135,744	122,538	113,125
Intangible assets	7.2	22,049	16,604	14,809
Financial assets	9	5,521	4,663	95
Long term receivables	10	3,982	2,052	0
<b>Total non-current assets</b>		<b>1,240,910</b>	<b>1,033,662</b>	<b>946,897</b>
<b>Current assets</b>				
Assets held for sale		1,133	238	451
Inventories		1,295	2,436	798
Trade and other receivables	10	16,111	15,067	13,821
Cash and cash equivalents	11	25,101	49,025	43,539
<b>Total current assets</b>		<b>43,640</b>	<b>66,766</b>	<b>58,609</b>
<b>Total assets</b>		<b>1,284,550</b>	<b>1,100,428</b>	<b>1,005,506</b>
<b>Current liabilities</b>				
Trade and other payables	12	(27,904)	(21,562)	(22,055)
Provisions	13	(412)	(1,078)	(1,227)
<b>Total current liabilities</b>		<b>(28,316)</b>	<b>(22,640)</b>	<b>(23,282)</b>
<b>Assets less current liabilities</b>		<b>1,256,234</b>	<b>1,077,788</b>	<b>982,224</b>
<b>Non-current liabilities</b>				
Pension liabilities	14.2.5	(1,511)	(56,088)	(32,484)
Financial liabilities	8	(39,942)	(39,973)	(39,992)
Long term payables	12	(4,722)	(2,968)	(915)
<b>Total non-current liabilities</b>		<b>(46,175)</b>	<b>(99,029)</b>	<b>(73,391)</b>
<b>Assets less liabilities</b>		<b>1,210,059</b>	<b>978,759</b>	<b>908,833</b>
<b>Taxpayers' equity and other reserves</b>				
General fund	SoCTE	234,407	242,669	218,501
Revaluation reserve	SoCTE	977,163	792,178	722,816
Pensions reserve	SoCTE	(1,511)	(56,088)	(32,484)
<b>Total taxpayers' equity</b>		<b>1,210,059</b>	<b>978,759</b>	<b>908,833</b>

The financial position as at 31 March 2019 and 31 March 2018 have been restated to reflect an adjustment to the valuation of the Forest Estate. Details of the restatement are included in note 1.11

The comparatives for 18/19 include an adjustment of £300k deferred income relating to charges and £190k bonds and deposits which have been re-classified from current liabilities to non-current liabilities.

The notes on pages 93 to 129 form part of these accounts.



Clare Pillman  
Chief Executive and Accounting Officer

Date: 25 November 2020

## Statement of Cash Flows

For the year ended 31 March 2020

	Note	2019/20 £'000	2018/19 £'000
<b>Cash flows from operating activities</b>			
Net operating expenditure	SoCNE	(133,445)	(125,245)
Adjustment for non-cash transactions		26,868	34,643
Increase in trade and other receivables	10 *	(1,835)	(1,675)
Increase/(Decrease) in trade and other payables	12 *	4,977	(570)
Decrease in provisions	SoFP *	(54)	(31)
<b>Net cash flow from operating activities</b>		<b><u>(103,489)</u></b>	<b><u>(92,878)</u></b>
<b>Cash flows from investing activities</b>			
Purchase of tangible assets	7.1 *	(3,411)	(4,384)
Purchase of intangible assets	7.2 *	(7,508)	(4,791)
Proceeds on disposal of property, plant and equipment		436	521
<b>Net cash flow from investing activities</b>		<b><u>(10,483)</u></b>	<b><u>(8,654)</u></b>
<b>Cash flows from financing activities</b>			
Grants from Welsh Government	SoCTE	90,048	107,018
<b>Net Financing</b>		<b><u>90,048</u></b>	<b><u>107,018</u></b>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>		<b>(23,924)</b>	<b>5,486</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b><u>49,025</u></b>	<b><u>43,539</u></b>
<b>Cash and cash equivalents at the end of the period</b>	11	<b><u><u>25,101</u></u></b>	<b><u><u>49,025</u></u></b>

The notes on pages 93 to 129 form part of these accounts.

7.1 \* The cash outflow of £3,411k represents capital tangible purchases during the year as per note 7.1 of £4,888k adjusted for unpaid capital invoices of £1,121k and deposits paid in previous years relating to current year additions of £356k.

7.2 \* The cash outflow of £7,508k represents intangible capital purchases during the year as per note 7.2 of £7,698k adjusted for unpaid capital purchases of £190k.

10 \* The cash outflow due to the movement in trade and other receivables of £1,835k represents the increase in Trade and other receivables per note 10 of £2,974k adjusted for £1,495k non-cash transactions and £356k in respect of deposits paid in previous years relating to current year non-current assets and reported under investing activities.

12 \* The cash inflow due to the movement in trade and other payables of £4,977k represents increase in Trade and other payables per note 12 of £8,096k after adjusting for non-cash transactions of £1,808k and £1,311k relating to investing activities.

SoFP \* The cash outflow due to decrease in provisions of £54k represents the movement in provisions per Statement of Financial Position £666k adjusted for non-cash transactions of £612k.

## Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2020

	General Fund £'000	Revaluation Reserve £'000	Pension Reserve £'000	Total £'000
<b>Opening balance (Restated)</b>	<b>242,669</b>	<b>792,178</b>	<b>(56,088)</b>	<b>978,759</b>
Comprehensive net expenditure for year	(59,654)	0	0	(59,654)
<b>In-year movement</b>				
In year revaluation	0	200,906	0	<b>200,906</b>
Realised revaluation	15,921	(15,921)	0	<b>0</b>
Actuarial gain on pension scheme	(56,500)	0	56,500	<b>0</b>
Increase in pension liability	1,923	0	(1,923)	<b>0</b>
<b>Total in-year movement</b>	<b>(38,656)</b>	<b>184,985</b>	<b>54,577</b>	<b>200,906</b>
<b>Funding</b>				
Grants from Welsh Government	90,048	0	0	<b>90,048</b>
<b>Balance at 31 March 2020</b>	<b>234,407</b>	<b>977,163</b>	<b>(1,511)</b>	<b>1,210,059</b>

General fund - reflects the cumulative position of net expenditure and funding from Welsh Government.

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

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

The notes on pages 93 to 129 form part of these accounts.

## Comparative figures for the year ended 31 March 2019 (Restated)

	General Fund £'000	Revaluation Reserve £'000	Pension Reserve £'000	Total £'000
<b>Opening Balance (Restated)</b>	<b>218,501</b>	<b>722,816</b>	<b>(32,484)</b>	<b>908,833</b>
Comprehensive net expenditure for year	(122,777)	0	0	(122,777)
<b>In-year movement</b>				
In year revaluation (Restated)	0	85,685	0	<b>85,685</b>
Realised revaluation	16,323	(16,323)	0	<b>0</b>
Actuarial loss on pension scheme	15,898	0	(15,898)	<b>0</b>
Increase in pension liability	7,706	0	(7,706)	<b>0</b>
<b>Total in-year movement (Restated)</b>	<b>39,927</b>	<b>69,362</b>	<b>(23,604)</b>	<b>85,685</b>
<b>Funding</b>				
Grants from Welsh Government	107,018	0	0	<b>107,018</b>
<b>Balance at 31 March 2019 (Restated)</b>	<b>242,669</b>	<b>792,178</b>	<b>(56,088)</b>	<b>978,759</b>

## **Note 1 Accounting policies**

### **1.1 Requirement to prepare accounts**

The financial statements have been prepared in accordance with the 2019/20 Government Financial Reporting Manual (FReM) issued by HM Treasury and with the accounts direction given by the Welsh Government in accordance with paragraph 23(1) of the Natural Resources Body for Wales (Establishment) Order 2012.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM allows a choice of accounting policy, these accounts follow the policy which is most appropriate to give a true and fair view for Natural Resources Wales (NRW).

The policies adopted are described below and in the various notes to the accounts. They have been applied consistently in dealing with items considered material to the accounts.

The preparation of financial statements requires various estimates and assumptions to be made that affect the application of accounting policies and reported amounts. All such estimates and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected. All estimates are based on knowledge of current facts and circumstances, assumptions concerning past events and forecasts of future events.

The most significant areas of estimation and critical judgements are shown against the relevant notes. Please note that the actual future results may differ from these estimates.

### **1.2 Accounting convention**

These accounts have been prepared on an accruals basis, under the historical cost convention, modified to account for the revaluation of property, plant and equipment, and intangible non-current assets to fair value as determined by the relevant accounting standard.

These financial statements are based on the going concern principle.

### **1.3 Grant-in-aid**

Grant-in-aid and other grants received from Welsh Government are treated as financing received from a controlling party. The receipts are recorded as a financing transaction and are credited directly to the general reserve in the Statement of Financial Position and not through the Statement of Comprehensive Net Expenditure.

## 1.4 Income, expenditure and grants

The accruals basis of accounting means that income and expenditure disclosed in the accounts are accounted for in the year that the relevant activity takes place, rather than when cash payments are made or received.

Option fees and related income received from windfarm operators are the only exception, being accounted for in the year of receipt. The income generated by windfarms which are subject to Welsh Government's Technical Advice Note 8: Planning for Renewable Energy (TAN 8) is surrenderable to Welsh Government. The income is collected by Natural Resources Wales, the relevant expenditure is deducted from the income and the balance is transferred to Welsh Government. The lease for Cefn Croes windfarm is an exception in that the income generated by this lease is retained by Natural Resources Wales. To correspond to accounting treatment by Welsh Government, the net value of windfarm income after deducting the payment to Welsh Government is shown within renewable energy income in note 6.

Income received in advance of the work being done is treated as deferred income.

Where income and expenditure have been recognised but cash has not been received or paid, a payable or receivable for the relevant amount is recorded in the Statement of Financial Position. When debts might not be settled, the balance of receivables is written down and, a charge made to the Statement of Comprehensive Net Expenditure for the income that might not be collected.

Sale and purchase transactions which are inherently linked, and for which a single payment is made or received, are accounted for as a single transaction. The accounting policy appropriate to the main element of the transaction is applied.

Grant contributions received which are not grant-in-aid or received from Welsh Government is recognised as income within the Statement of Comprehensive Net Expenditure.

## 1.5 Inventories

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

## 1.6 Value added tax

NRW is classified as a body to which section 33 of the Value Added Tax (VAT) Act 1994 applies and accordingly recovers tax paid on both business and non-business activities. The recovery of VAT on exempt supplies is dependent on the threshold for exempt activities. In all instances, where output tax is charged, or input tax is recoverable, the amounts included in these accounts are stated net of VAT.

## 1.7 Internal drainage districts

NRW acts as the drainage board that runs fourteen internal drainage districts in Wales. The work undertaken in each district is funded by a combination of drainage rates levied on occupiers of agricultural land and special levies paid by local authorities in respect of non-agricultural land.

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

The drainage rates, special levies and precepts for 2019/20 were set by Natural Resources Wales acting as the drainage board. This income is included in Note 6.

## 1.8 Adoption of new and revised IFRS or FReM interpretations and changes in accounting policies

### Changes in accounting policies

When Natural Resources Wales was established, the assets migrated from the legacy bodies included one windfarm, Cefn Croes which had been recognised at the operational stage. The development of a windfarm is split into three stages. Each stage requires a different type of lease agreement.

- The first stage is the Option Lease Agreement. This provides the windfarm developer the right to exercise the option to build on the land. At this stage, Natural Resources Wales receives an option fee based on a financial formula set out in the agreement.
- The second stage is the Development Lease Agreement. Planning permission has been granted and construction takes place during this stage. Similar to the first stage, Natural Resources Wales receives an option fee based on a financial formula set out in the agreement.
- The third stage is the Operating Lease Agreement. The windfarm is fully operational and is generating electricity. Natural Resources Wales receives two elements of income; a guaranteed base rent and a royalty rent based on electricity generation.

It has now been agreed that a windfarm would be recognised as soon as it's within its development lease due to the changes in the rental terms of the agreement. When a windfarm moves from option to development stage, more income is generated and there is more certainty that it will eventually move into the operational stage. During 2019/20, two further windfarms, Pen y Cymoedd and Brechfa West, have become operational and a valuation was obtained and recognised in the Statement of Financial Position. Clocaenog, which is in the development stage was also recognised. This represents a change in accounting policy which should be accounted for retrospectively in the financial statements. However it is impractical to determine the value of the three windfarms retrospectively for 31 March 2019.

At the point of capitalisation, the value of the land is deducted from the Forest Estate valuation which is disclosed within Other Land and included with the windfarm valuation. The three new windfarm valuations, also included within Other Land in note 7, as at 31 March 2020 are as follows;

	<b>£000</b>
Pen y Cymoedd	80,400
Brechfa West	14,400
Clocaenog	<u>28,690</u>
<b>Total</b>	<b>123,490</b>

See note 1.4 for information on the treatment of windfarm income. See note 7.1.2 for further details on recognition and measurement of windfarms.

### IFRS's Effective in these financial statements

All International Financial Reporting Standards (IFRS), interpretations and amendments effective during this reporting period have been adopted in these statements.

### IFRS's Effective for future financial years

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, requires disclosures in respect of new IFRS's, amendments and interpretations that are, or will be applicable after the reporting period. There are a number of IFRS's, amendments and interpretations that have been issued by the International Accounting Standards Board that are effective in future reporting periods. Those with relevance to Natural Resources Wales are outlined below. Natural Resources Wales has not adopted any new IFRS standards early and will apply the standards upon formal adoption in the FReM.

## IFRS 16 – Leases

The implementation of this standard has been delayed and is now effective in the public sector from 1 April 2021. It will supersede all existing IFRS standards on leases. The main effect is that IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for almost all leases. IFRS 16 is expected to have a material impact in financial reporting terms which is currently being assessed.

## IFRS 17 – Insurance Contracts.

This standard will apply to all types of insurance contract and proposes a building blocks approach based on the expected present value of future cash flows to measuring insurance contract liabilities. IFRS 17 is effective for annual periods beginning on or after 1 January 2023.

### 1.9 Financial provisions (Landfill sites)

For all landfill sites, financial provision arrangements need to be established before a permit is granted. The financial provision arrangements must be in place prior to the commencement of disposal operations, and such provisions need to be sufficient (in monetary terms), secure and available when required. Landfill sites include all waste sites that are subject to the landfill directive.

The following are the principal mechanisms that NRW will accept for demonstrating financial provision arrangements:

- Renewable bonds (shown in note 12)
- Cash deposits with Natural Resources Wales (shown in note 12)
- Escrow accounts
- Local authority deed agreements
- Parent company guarantees
- Umbrella agreements (covering a number of sites)

### 1.10 Notes to the accounts

Note 2 provides an analysis of income and expenditure to operating segments.

Notes 3 to 14 provide analysis of material figures reported in the statements of comprehensive net expenditure, financial position and cash flows.

Notes 15 to 23 relate to figures not disclosed elsewhere in these accounts.

## 1.11 Restatement of prior periods

The value of the land at the Cefn Croes windfarm was duplicated in error as it was included within both the Forest Estate and Other Land. The error dates back to a legacy body. It has been corrected by restating the financial statements shown below.

### Statement of Financial Position

	31st March 2019 £'000	31st March 2018 £'000
<b>Non Current Assets</b>		
Property, Plant and Equipment previously reported	882,963	814,430
Property, Plant and Equipment correction	(2,158)	(1,994)
Property, Plant and Equipment restated	880,805	812,436
<b>General Fund</b>		
Previously reported	240,998	216,830
Correction	188	188
Restated balance	241,186	217,018
<b>Revaluation Reserve</b>		
Previously reported	796,007	726,481
Correction	(2,345)	(2,182)
Restated balance	793,662	724,299

### Statement of Changes In Taxpayers' Equity Comparative figures for the year ended 31 March 2019

	Closing Balance 2018/19 £'000	Opening Balance 2018/19 £'000
<b>General Fund</b>		
Previously reported	240,998	216,830
Historic correction	188	188
Restated	241,186	217,018
<b>Revaluation Reserve</b>		
Previously reported	796,007	726,481
Historic correction	(2,182)	(2,182)
2018/19 correction	(163)	0
Restated	793,662	724,299

## 2. Analysis of net operating expenditure by segment

For the year ended 31 March 2020

These segments are components for which financial information is managed and reported internally. Income and expenditure shown below were directly attributed to the segments.

	Finance & Corporate Services	Operations	Evidence, Policy & Permitting	Customer, Communications and Information	Corporate Strategy and Development	Centrally Controlled	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Reported by segments</b>							
Expenditure	40,029	87,803	44,897	2,311	4,847	27,255	207,142
Income	(42,064)	(31,061)	(528)	0	(44)	0	(73,697)
<b>Total</b>	<b>(2,035)</b>	<b>56,742</b>	<b>44,369</b>	<b>2,311</b>	<b>4,803</b>	<b>27,255</b>	<b>133,445</b>
<b>Capital expenditure</b>	<b>5,138</b>	<b>1,028</b>	<b>6,420</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12,586</b>

Natural Resources Wales determines that the following categories can be used to meet the disaggregation disclosure requirement in IFRS 15.

	Finance & Corporate Services	Operations	Evidence, Policy & Permitting	Customer, Communications and Information	Corporate Strategy and Development	Centrally Controlled	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Reported by segments</b>							
Fees and charges	37,756	467	0	0	0	0	38,223
Commercial	4,308	29,746	235	0	44	0	34,333
European and other external funding	0	848	293	0	0	0	1,141
<b>Total</b>	<b>42,064</b>	<b>31,061</b>	<b>528</b>	<b>0</b>	<b>44</b>	<b>0</b>	<b>73,697</b>
<b>Reported by segments</b>							
Government	1,517	946	478	0	44	0	2,985
Non-Government	40,547	30,115	50	0	0	0	70,712
<b>Total</b>	<b>42,064</b>	<b>31,061</b>	<b>528</b>	<b>0</b>	<b>44</b>	<b>0</b>	<b>73,697</b>

## Analysis of net operating expenditure by segment (continued)

### Description of segments

Finance & Corporate Services	The Finance and Corporate Services Directorate provides financial services; audit and risk assurance; ICT services; buildings and fleet management. During 2019-20, it also provided legal support; organisational and people management services; commercial services and procurement support.
Operations	The Operations Directorate has principal responsibility for achieving the sustainable management of natural resources in Wales' geographical area, including its marine environment, across the range of NRW's remit. Also provides capital programme management, commercial operations and planning and marine services for the whole of Wales.
Evidence, Policy and Permitting	The Evidence, Policy & Permitting Directorate provides outward-facing central co-ordination for the organisation, leading on policy and strategy development, evidence, tools, standards, guidance and advice to enable other NRW teams, Welsh Government colleagues and partners fulfil their remit. There are also some direct delivery roles within the Directorate such as the Permitting Service and Flood Forecasting Service. From 2019-20, it created a new Land Stewardship department.
Customer Communications and Information.	External relations, communications and customer contact centre.
Corporate Strategy and Development	The Corporate Strategy and Development Directorate leads a number of NRW's cross-cutting functions, including strategic planning and performance; continuous improvement and programme management; organisational development and staff engagement; and corporate governance. It also supports the NRW Board and Chief Executive.
Centrally Controlled	Income and expenditure controlled centrally and not allocated to directorates. It includes depreciation, book value of fellings, year-end accruals for provisions.

During 2019/20 we completed our Organisation Design change programme. Our two Operations Directorates (North and South) merged and began to operate through seven place-based areas of Wales. Our Evidence, Policy and Permitting Directorate created a new department, Land Stewardship, to oversee our land management policy across the Welsh Government Woodland Estate.

We also restructured our central directorates. Finance and Corporate Services Directorate created a new Commercial department to deliver our sales and procurement activities; Internal Audit moved into the directorate; and People Management services were incorporated. The Corporate Strategy and Development Directorate was created, absorbing functions of the Governance and Planning department and Transformation Directorate, and creating a new department to lead Organisational Development.

### Comparative figures for the year ended 31 March 2019

	Finance & Corporate Services	Operations North & Mid Wales	Operations South	Evidence, Policy & Permitting	Office of the Chief Executive & Transformation	Centrally Controlled	Total)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Reported by segments</b>							
Expenditure	34,245	67,117	32,450	42,069	4,832	20,619	201,332
Income	(38,818)	(39,807)	(2,707)	(569)	0	5,814	(76,087)
<b>Total</b>	<b>(4,573)</b>	<b>27,310</b>	<b>29,743</b>	<b>41,500</b>	<b>4,832</b>	<b>26,433</b>	<b>125,245</b>
<b>Capital expenditure</b>	<b>6,750</b>	<b>1,570</b>	<b>47</b>	<b>1,068</b>	<b>0</b>	<b>0</b>	<b>9,435</b>

This table has not been restated to take into account changes to the organisational structure during 2019/20 and is not therefore comparable.

### 3. Staff costs

Further details of staff costs and numbers are now disclosed from page 73 within the Remuneration and Staff Report.

	2019/20			2018/19
	Permanent Staff £'000	Other Staff £'000	Total £'000	Total £'000
Wages and salaries	65,050	12,555	77,605	68,755
Social security & Other taxation costs	6,858	437	7,295	6,417
Other pension costs	20,999	268	21,267	13,416
<b>Total net salary costs</b>	<b>92,907</b>	<b>13,260</b>	<b>106,167</b>	<b>88,588</b>
Other expenditure for staff			2,004	8,012
Less amounts charged to capital projects			(7,919)	(6,466)
<b>Total staff costs</b>			<b>100,252</b>	<b>90,134</b>

### 4. Capital works expensed in year

	2019/20	2018/19	31 March 2020	31 March 2019
Categories	Actual £'000	Actual £'000	Committed £'000	Committed £'000
Operational Work	10,709	16,985	9,036	5,000
Capital grants	1,042	669	54	76
<b>Total</b>	<b>11,751</b>	<b>17,654</b>	<b>9,090</b>	<b>5,076</b>

Capital works expensed in year relates to expenditure which is capital in nature but where Natural Resources Wales does not retain the related risks and rewards of ownership of the asset being constructed.

#### Operational work includes:

Flood and coastal risk management assets built on land which Natural Resources Wales does not own but where it has permissive powers to maintain defence, such as:

- Restoration and refurbishment  
Work to ensure that the condition of the flood defences are retained in the appropriate condition and restored to that condition as necessary.
- Embankments  
Creation, improvement or heightening of embankments along watercourses to reduce the risk of the water escaping from the river channel.
- Flood Mapping  
Production of multi-layered maps which provide information on flooding from groundwater, rivers and the sea for Wales, and including information on flood defences and the areas benefiting from those flood defences.
- Piling  
Installation of piles along the river banks to strengthen them and secure the adjacent land and prevent landslips into the river causing obstructions. These works would largely be below ground.
- Culverts and channel improvements  
Repairing or replacing culverts under land, roads and properties and channel improvements that assist the flow of watercourses.
- Flood risk management strategies  
Development of strategies to provide long term flood risk management options to cover a large area. It is from the long term strategies that individual flood risk projects are developed.
- Flood management plans  
Water Level Management Plans and Catchment Flood Management Plans are prepared with the aim of establishing flood risk management policies that deliver sustainable flood risk management for the long term across a catchment.
- Other works  
Improvements to locks and other waterways, telemetry replacement and fish habitat improvement.

Improvements to reservoirs where the Reservoirs Act 1975 places that responsibility on the reservoir owner. Specifically these measures are taken in the interests of safety.

#### Capital grants

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

## 5. Other expenditure

	2019/20	2018/19
	£'000	£'000
<b>Cash items</b>		
Bought in services	20,058	19,037
Reservoir operating agreements	9,456	9,112
ICT costs	6,538	5,245
Office running costs	4,108	3,378
Materials and equipment	4,044	4,046
Fleet costs	3,639	3,568
Forest roads network maintenance	3,227	2,407
Grants	2,713	2,436
Service level agreements	2,470	3,228
Staff related costs	2,443	2,527
Rents	2,056	1,825
Collaborative agreements	1,727	1,820
Fees and court costs	1,445	1,385
Travel and subsistence	1,290	1,367
Rates	978	808
Operational costs	612	760
Statutory audit fees	177	246
European grants	105	100
Losses and special payments	2	328
Finance lease interest	0	3
<b>Sub-total</b>	<b>67,088</b>	<b>63,626</b>
<b>Non-cash expenditure</b>		
Value of sold timber	18,117	18,410
Depreciation, amortisation and impairment	8,177	9,037
Reservoir repair costs	1,777	2,052
(Gain) / Loss on disposal	203	290
Movement on expected credit loss	254	95
Losses	174	154
Movement on other provisions	(651)	(120)
<b>Sub-total</b>	<b>28,051</b>	<b>29,918</b>
<b>Total</b>	<b>95,139</b>	<b>93,544</b>

Details of write-offs, losses and special payments are shown in the Parliamentary and Audit Report on page 80.

## 6. Income analysis

For the year ended 31 March 2020

	2019/20 £'000	2018/19 £'000
Abstraction charges	21,122	21,245
Environmental permitting regulations: water quality	6,242	6,414
Environmental permitting regulations: installations	3,139	3,035
Environmental permitting regulations: waste	2,156	2,267
Other environmental protection charges	1,350	1,240
Nuclear regulation	1,142	2,073
Fishing licences	1,107	1,142
Hazardous waste	842	876
Water resources rechargeable works	658	645
Emissions trading and carbon reduction commitment	241	291
Marine licensing	224	240
<b>Charge Income</b>	<b>38,223</b>	<b>39,468</b>
Timber income <sup>1</sup> .	25,198	26,349
Renewable energy income <sup>2</sup> .	3,997	3,791
Income from estates	2,416	2,431
Internal drainage district income	1,607	1,338
Provision of information and services	824	726
Legal costs recovered and Proceeds of Crime Act income	178	356
Miscellaneous income	68	36
Interest receivable	45	43
Income towards site clean up costs	0	6
<b>Commercial and other income</b>	<b>34,333</b>	<b>35,076</b>
European income <sup>3</sup> .	919	1,093
Grants and contributions	222	450
<b>European and other external funding</b>	<b>1,141</b>	<b>1,543</b>
<b>Total income</b>	<b>73,697</b>	<b>76,087</b>

<sup>1</sup> Timber income includes compensation payments relating to the renegotiation of Standing Sales Plus contracts of £493k

<sup>2</sup> Renewable energy income is shown net of fees due to Welsh Government in respect of wind energy income. The balance of £3,997k represents income of £11,891k (in 2018/19 £8,936k) after deducting the fee payment to Welsh Government of £7,894k (in 2018/19 £5,145k).

<sup>3</sup> Including income claimed via Welsh European Funding Office for European funded projects.

## 6.1 Analysis of fees and charges

<b>Year ending 31 March 2020</b>	<b>Income billed £'000</b>	<b>Expenditure £'000</b>	<b>Surplus/ (Deficit) £'000</b>
Abstraction charges	21,215	21,122	93
Environmental permitting regulations: water quality	6,230	6,242	(12)
Environmental permitting regulations: installations	3,325	3,139	186
Environmental permitting regulations: waste	2,300	2,156	144
Other environmental protection charges	1,224	1,350	(126)
Nuclear regulation	1,049	1,142	(93)
Fishing licences	1,107	1,107	0
Hazardous waste	1,061	842	219
Water resources rechargeable works	658	658	0
Emissions trading and carbon reduction commitment	207	241	(34)
Marine licences	232	224	8
<b>Total</b>	<b>38,608</b>	<b>38,223</b>	<b>385</b>

<b>Comparative figures - year ending 31 March 2019</b>	<b>Income billed £'000</b>	<b>Expenditure £'000</b>	<b>Surplus/ (Deficit) £'000</b>
Abstraction charges	20,239	21,245	(1,006)
Environmental permitting regulations: water quality	6,449	6,414	35
Environmental permitting regulations: installations	3,015	3,035	(20)
Environmental permitting regulations: waste	2,239	2,267	(28)
Other environmental protection charges	1,239	1,240	(1)
Nuclear regulation	2,062	2,073	(11)
Fishing licences	1,141	1,142	(1)
Hazardous waste	1,101	876	225
Water resources rechargeable works	645	645	0
Emissions trading and carbon reduction commitment	284	291	(7)
Marine licences	230	240	(10)
<b>Total</b>	<b>38,644</b>	<b>39,468</b>	<b>(824)</b>

Revenue is recognised based on the consideration specified in a contract with customer. NRW recognises revenue in accordance with the five stages set out in IFRS 15 Revenue from contracts with customers. Revenue is recognised when, or as, NRW satisfies a performance obligation.

Income from charges for the regulation of businesses in Wales to monitor and control their impact on the environment, whether air, water or land, is derived from a combination of fees and charges. Charges income falls into two main categories: an application for a licence or permit for which revenue is recognised at the time of the application, and the subsistence charge associated with licences and permits, which give the customer legal entitlement to carry out their operation for a period of time under NRW's regulation. Such subsistence income is recognised when billed at the point the new permit period commences.

For commercial transactions, the customer simultaneously receives and consumes the benefits provided, and the revenue is recognised at a point in time.

In accordance with Managing Welsh Public Money, fees and charges are set on a full cost recovery basis taking into consideration scheme balances. Accumulated surpluses and deficits relating to our charge schemes are treated as deferred income or accrued income depending on whether the charging scheme is in surplus or deficit. These balances are only treated as deferred or accrued income where they have arisen accidentally as a result of unplanned circumstances in line with Managing Welsh Public Money definition, or where there is a future plan to utilise those balances. The deferred and accrued income balances are considered when setting future years' fees and charges, to enable a cost recovery position to be achieved over a reasonable period of time, which due to timing differences is not considered appropriate within a single financial year.

We have a transitional arrangement where material balances without a plan will be reduced by 31st March 2022 (recently extended following the impact of Covid-19). This treatment overrides the standard revenue recognition criteria outlined in the first paragraph above.

### **Significant judgment**

A judgement is made regarding the satisfaction of performance obligations on fees and charges and commercial income per IFRS15. Within receivables (Note 10) and payables (Note 12) there are accrued and deferred income balances for fees and charges where there is a surplus or deficit. As mentioned above, charging schemes are required to break even over a reasonable period of time and judgment is required in assessing the factors behind whether the surplus or deficit will result in a break-even position over this reasonable period (reported in notes 10 and 12).

Expenditure funded by grant-in-aid has been excluded from the table below. The table does not include the effect of IAS 19 pension adjustments but does include in-year employer contributions to the pension schemes, which are passed on to charge payers. The financial objective for the charging schemes is full cost recovery including current cost depreciation and a rate of return on relevant assets.

The key activities of each area are listed below:

- Abstraction charges – charging for businesses using water abstraction from rivers or groundwater. The income reported also includes other elements of water resources income.
- Water resources rechargeable works - income to recover NRW water resources effort on the ground, such as operational costs in the Upper Severn catchment (on the Welsh side of the boundary), which falls under Environment Agency jurisdiction.
- Fishing licences – charging individuals for licences to fish.
- Environmental permitting regulations: water quality – charging for discharges from businesses into the environment.
- Environmental permitting regulations: installations - permitting to control and minimize pollution from industrial activities
- Environmental permitting regulations: waste management licensing and exemptions.
- Hazardous waste – licensing for producing, transporting, or receiving hazardous waste.
- Emissions trading and Carbon Reduction Commitment – regulation of businesses under EU schemes.
- Nuclear regulation – regulation of nuclear and non-nuclear sites, and nuclear new build sites.
- Marine licences – regulation of deposits, removals, construction projects on or under the sea bed and all forms of dredging.
- Other environmental protection – licensing for registration of waste carriers and brokers, trans frontier shipments, producer responsibility licensing for waste electronic and electrical equipment, end of life vehicles, polychlorinated biphenyls, flood defence consents, reservoir compliance, development planning advice and regulation of businesses under such schemes as control of major accident hazards.

## 7. Non-current assets

There are two categories of non-current assets - tangible assets shown in Note 7.1 and intangible assets shown in Note 7.2.

### Recognition

All land is capitalised regardless of value. The threshold for capitalising other assets with a useful economic life of more than one year is £5,000. Individual items costing less than £5,000 can be grouped as one asset if the total cost exceeds £5,000 and these assets operate as part of a network. Subsequent expenditure on an asset is capitalised if the criteria for initial capitalisation are met, it is probable that additional economic benefits will flow to NRW and the cost of the expenditure can be reliably measured. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, if appropriate.

Assets leased to external parties under an operating lease are capitalised under the appropriate accounting policy.

A judgement is made to the categorisation of expenditure as capital works expensed in year, and tangible and intangible assets.

### Measurement

All non-current assets apart from heritage assets and assets under construction are reported at either current value in existing use or fair value in the Statement of Financial Position.

For specialised assets where there are no market comparables, 'fair value' has been estimated using a depreciated replacement cost approach.

Assets classified as heritage assets comprise land within designated conservation areas. This land is held in support of NRW's purpose. Because of the diverse nature of the land held and the lack of comparable market values, NRW considers that obtaining external valuations would involve disproportionate cost. Heritage assets are therefore held at cost. Preservation costs (expenditure required to preserve the heritage asset) are recognised in the Statement of Comprehensive Net Expenditure when they are incurred. Further information on heritage assets can be found in Note 7.1.2.

Assets capitalised as under construction are carried at costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. They are not revalued and are transferred to the appropriate non-current asset category when completed and ready for use.

Operational structures are used in Natural Resources Wales's service delivery and are specific in nature, location or function. It is not possible to revalue these assets effectively using market comparatives or professional valuations. Typically these assets include flood risk management works such as gauging stations and water resource assets such as boreholes. These assets are accounted for in the Statement of Financial Position at depreciated replacement costs.

### Indexation and Revaluation

#### Quinquennial Valuation

Land and buildings and public structures (reported within operational structures) are subject to full professional valuation every five years in accordance with the Royal Institution of Chartered Surveyors (RICS)'s Appraisal and Valuation Standards (the Red Book). These assets were last fully valued at 31 March 2016 by chartered surveyors and signed off by a registered valuer. The chartered surveyors were John Clegg & Co, Cooke and Arkwright, Lambert Smith Hampton, Llewellyn Humphreys, Williams Rural & Commercial, Strutt & Parker, Bidwell's and internal land agents.

All valuers who undertook the quinquennial revaluation were members of the RICS and are Registered Valuers in accordance with the RICS Valuer Registration Scheme, apart from those valuers who have undertaken certain infrastructure valuations on heritage assets. Those valuations were quality assured by the NRW Principal Surveyor. All valuers had sufficient current local and national knowledge of the particular market, and the skills and understanding to undertake the valuation competently.

All our freehold and leasehold offices and commercial properties were last valued at 31 March 2016 by external valuers, Elizabeth Hill and Alan Jones of Cooke & Arkwright Chartered Surveyors.

The valuations of other land, public structures and specialist assets were arranged by our in-house team of Chartered Surveyors, under the direction of the Principal Surveyor. External professional surveyors were used for those assets where we have future rental income on our land. Cefn Croes Windfarm was valued by Bidwell's and the telecommunications portfolio by Strutt & Parker.

### Interim Valuations

In between full valuations, assets are subject to an annual interim valuation. For 2019/20, these valuations were provided by the relevant firms of Chartered Surveyors or by internal valuers for the various assets as set out below. The valuations for these assets were also undertaken in line with the requirements of the RICS Red Book as referred to above.

Forest Estate - Clegg & Co  
Windfarms - Savills  
Office and Operational Buildings - Cooke & Arkwright  
Unequipped Agricultural Land (One beacon property) - Cooke & Arkwright  
Equipped Agricultural Land - McCartney's  
Forest Holidays – Avison Young

Savills provided a full professional valuation in 2019/20 for all four windfarms in accordance with RICS's Red Book. However, there was a departure from RICS as no site visit was carried out due to COVID-19 restrictions.

Hydro Schemes, 3rd Party access, Mineral sites, Telecom masts and other land related assets were subject to an internal desktop valuation as at 31 March 2020.

Unequipped agricultural land (Two beacon properties), dwellings, specialised buildings, operational structures and public structures were valued internally at 31 March 2020 using suitable indices.

Plant and machinery, information technology equipment and intangible assets were not indexed in 2019/20 as the movement was deemed immaterial. Where movement in the indices for plant and machinery, information technology and intangible assets are material, these assets are re-valued under the modified historical cost convention.

Adjustments arising from indexation and revaluations are taken to the revaluation reserve unless the reserve balance in respect of a particular asset has been fully utilised against downward revaluation, in which case the movement is recognised in the Statement of Comprehensive Net Expenditure. Any permanent reductions in value are transferred to the Statement of Comprehensive Net Expenditure.

### **Impact of COVID-19**

The outbreak of COVID-19 in early 2020 and the restrictions which followed in March 2020 has cast some uncertainty across the markets and individual sectors may react differently to the situation. All valuations of Natural Resources Wales' assets as at 31 March 2020 received from both external firms of Chartered Surveyors and internal valuers are subject to the following clause which explains that due to the uncertainty presented by the current COVID-19 pandemic, a material uncertainty exists around the valuations provided.

*"The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors.*

*As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.*

*Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per Valuation Technical and Performance Standards (VPS) 3 and Valuation Practice Guidance Applications (VPGA) 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuations of the NRW estate under frequent review."*

## Depreciation and amortisation

Land (forest estate and non-forest land) and intangible rights to land are not depreciated, unless the land forms an essential element of an operational structure. These assets are being depreciated over the life of the relevant operational structure. Assets under construction are not depreciated until they are capable of operating in the manner intended by management.

Vehicles shown in the plant and machinery category are depreciated on a reducing balance basis at a rate of 21%. All other assets are depreciated/amortised on a straight line basis over their expected useful economic life. Depreciation is charged to the Statement of Comprehensive Net Expenditure in the month of disposal, but not in the month of acquisition.

A judgement is made on the useful economic lives that form the basis for the period over which property, plant and equipment is depreciated and intangible assets amortised. The estimated asset lives are reviewed, and adjusted if appropriate, at each reporting date. The principal useful lives used for depreciation purposes are:

<b>Asset category</b>	<b>Principal useful life</b>
<b>Tangible assets</b>	
Buildings and dwellings	10 - 60 years
Plant and machinery	4 - 25 years
Information technology	3 - 10 years
Operational structures	5 - 100 years
<b>Intangible assets</b>	
Software licences	5 - 25 years
Other licences	5 - 50 years
Software development	3 - 10 years
Website	5 - 10 years

The range in the useful lives above reflects the variety of assets within the asset categories. An exception within Building and dwellings would be leasehold improvement assets, which are given the same life as the relative lease.

Other licences also include assets which are held in perpetuity.

## Disposals

When an asset is disposed of, its carrying amount is written off to the Statement of Comprehensive Net Expenditure as part of the gain or loss on disposal. Receipts from disposals (if any) are also credited to the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the General Fund.

## Revaluation Reserve

The revaluation reserve shows the gains made by NRW arising from increases in the value of non-current assets. The balance is reduced when assets with accumulated gains are:

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

An amount representing the difference between the depreciation charged on the revalued carrying amount of the assets and depreciation based on the asset's original cost is transferred from the revaluation reserve to the general fund.

## **Impairment**

Non-current assets are subject to annual impairment reviews. Impairments are recognised when the recoverable amount of non-current assets falls below their net book value, as a result of either a fall in value owing to market conditions, a loss in economic benefit or reduction of service potential. Downward revaluations resulting from changes in market value only result in an impairment where the asset is revalued below its historical cost carrying amount. The FReM requires that only those impairment losses that do not result from a clear consumption of economic benefit or reduction of service potential should be firstly set against any accumulated balance in the revaluation reserve. Any amount in addition to this is recognised as impairment through the Statement of Comprehensive Net Expenditure. Impairment losses that arise from a clear consumption of economic benefit or reduction in service potential should be taken in full to the Statement of Comprehensive Net Expenditure. An amount to the value of the impairment is transferred from the revaluation reserve to the general fund for the individual assets concerned.

## **Non-current assets held for sale**

Non-current assets are classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale within 12 months of the reporting date is considered to be highly probable, management is committed to a plan to sell and the asset is being actively marketed in its present condition at a price which is reasonable in relation to its current condition. Depreciation ceases immediately on the classification of the assets as being held for sale. They are stated at the lower of their carrying amount and fair value less costs to sell and are recorded as current assets in the Statement of Financial Position.

## 7.1 Tangible non-current assets

	Forest estate	Other land	Buildings	Plant and machinery	Information technology	Operational structures	Assets under construction	Total Property, Plant & Equipment	Biological assets	Heritage assets	Total Tangible Assets
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2019</b>	736,567	60,168	16,463	22,535	13,464	82,770	510	932,477	122,538	7,000	1,062,015
Additions	0	1,145	206	375	13	230	2,919	4,888	0	0	4,888
Assets commissioned in year	0	0	0	19	34	161	(214)	0	0	0	0
Disposals and derecognition	(22)	(508)	(133)	(1,335)	0	(192)	0	(2,190)	0	0	(2,190)
Movement from/(to) held for sale	21	(309)	(492)	(23)	0	0	0	(803)	0	0	(803)
Fellings	(12,489)	0	0	0	0	0	0	(12,489)	(4,487)	0	(16,976)
Indexation and revaluation	64,440	127,986	2,902	0	0	7,740	0	203,068	17,693	0	220,761
Reclassification	0	(99)	0	18	0	0	0	(81)	0	99	18
<b>At 31 March 2020</b>	<b>788,517</b>	<b>188,383</b>	<b>18,946</b>	<b>21,589</b>	<b>13,511</b>	<b>90,709</b>	<b>3,215</b>	<b>1,124,870</b>	<b>135,744</b>	<b>7,099</b>	<b>1,267,713</b>
<b>Depreciation</b>											
<b>At 1 April 2019</b>	0	0	2,527	14,822	13,077	21,246	0	51,672	0	0	51,672
Charged in year	0	0	711	1,392	56	3,791	0	5,950	0	0	5,950
Disposals and derecognition	0	0	(133)	(1,201)	0	(90)	0	(1,424)	0	0	(1,424)
Movement from/(to) held for sale	0	0	113	(21)	0	0	0	92	0	0	92
Indexation and revaluation	0	0	316	(6)	0	1,744	0	2,054	0	0	2,054
Reclassification	0	0	0	11	0	0	0	11	0	0	11
<b>At 31 March 2020</b>	<b>0</b>	<b>0</b>	<b>3,534</b>	<b>14,997</b>	<b>13,133</b>	<b>26,691</b>	<b>0</b>	<b>58,355</b>	<b>0</b>	<b>0</b>	<b>58,355</b>
<b>Carrying amount at 1 April 2019</b>	<b>736,567</b>	<b>60,168</b>	<b>13,936</b>	<b>7,713</b>	<b>387</b>	<b>61,524</b>	<b>510</b>	<b>880,805</b>	<b>122,538</b>	<b>7,000</b>	<b>1,010,343</b>
<b>Carrying amount at 31 March 2020</b>	<b>788,517</b>	<b>188,383</b>	<b>15,412</b>	<b>6,592</b>	<b>378</b>	<b>64,018</b>	<b>3,215</b>	<b>1,066,515</b>	<b>135,744</b>	<b>7,099</b>	<b>1,209,358</b>
<b>Asset Financing</b>											
Owned	745,101	183,656	15,412	6,592	378	64,018	3,215	1,018,372	135,744	7,099	1,161,215
Leased	43,416	4,727	0	0	0	0	0	48,143	0	0	48,143
<b>Carrying amount at 31 March 2020</b>	<b>788,517</b>	<b>188,383</b>	<b>15,412</b>	<b>6,592</b>	<b>378</b>	<b>64,018</b>	<b>3,215</b>	<b>1,066,515</b>	<b>135,744</b>	<b>7,099</b>	<b>1,209,358</b>

Buildings include dwellings with a carrying amount of £296k. The other buildings are offices and workbases.

The amount held in the Revaluation Reserve for tangible assets at 31st March 2020 was £976,506k.

## Comparative figures for the year ended 31 March 2019 (Restated)

	Forest estate (Restated)	Other land (Restated)	Buildings	Plant and machinery	Information technology	Operational structures	Assets under construction	Total Property, Plant & Equipment (Restated)	Biological assets	Heritage assets	Total Tangible Assets (Restated)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>											
<b>At 1 April 2018 (Restated)</b>	670,864	56,899	15,889	21,473	13,280	80,446	671	859,522	113,125	6,432	979,079
Additions	0	0	132	2,236	45	324	1,461	4,198	0	295	4,493
Assets commissioned in year	0	29	0	0	287	965	(1,281)	0	0	0	0
Disposals and derecognition	(7)	(183)	0	(1,305)	(148)	(663)	(8)	(2,314)	0	0	(2,314)
Movement from/(to) held for sale	6	169	0	131	0	0	0	306	0	0	306
Fellings	(14,750)	0	0	0	0	0	0	(14,750)	(5,298)	0	(20,048)
Indexation and revaluation (Restated)	80,454	3,527	326	0	0	1,814	0	86,121	18,444	0	104,565
Reclassification	0	(273)	116	0	0	(116)	(333)	(606)	(3,733)	273	(4,066)
<b>At 31 March 2019 (Restated)</b>	<b>736,567</b>	<b>60,168</b>	<b>16,463</b>	<b>22,535</b>	<b>13,464</b>	<b>82,770</b>	<b>510</b>	<b>932,477</b>	<b>122,538</b>	<b>7,000</b>	<b>1,062,015</b>
<b>Depreciation</b>											
<b>At 1 April 2018</b>	0	0	1,564	14,440	13,181	17,901	0	47,086	0	0	47,086
Charged in year	0	0	884	1,471	42	3,391	0	5,788	0	0	5,788
Disposals and derecognition	0	0	0	(1,182)	(146)	(386)	0	(1,714)	0	0	(1,714)
Movement from/(to) held for sale	0	0	0	93	0	0	0	93	0	0	93
Indexation and revaluation	0	0	29	0	0	390	0	419	0	0	419
Reclassification	0	0	50	0	0	(50)	0	0	0	0	0
<b>At 31 March 2019</b>	<b>0</b>	<b>0</b>	<b>2,527</b>	<b>14,822</b>	<b>13,077</b>	<b>21,246</b>	<b>0</b>	<b>51,672</b>	<b>0</b>	<b>0</b>	<b>51,672</b>
<b>Carrying amount at 1 April 2018 (Restated)</b>	<b>670,864</b>	<b>56,899</b>	<b>14,325</b>	<b>7,033</b>	<b>99</b>	<b>62,545</b>	<b>671</b>	<b>812,436</b>	<b>113,125</b>	<b>6,432</b>	<b>931,993</b>
<b>Carrying amount at 31 March 2019 (Restated)</b>	<b>736,567</b>	<b>60,168</b>	<b>13,936</b>	<b>7,713</b>	<b>387</b>	<b>61,524</b>	<b>510</b>	<b>880,805</b>	<b>122,538</b>	<b>7,000</b>	<b>1,010,343</b>
<b>Asset Financing</b>											
Owned (Restated)	694,474	55,497	13,936	7,668	387	61,524	510	833,996	122,538	7,000	963,534
Leased (Restated)	42,093	4,671	0	45	0	0	0	46,809	0	0	46,809
<b>Carrying amount at 31 March 2019 (Restated)</b>	<b>736,567</b>	<b>60,168</b>	<b>13,936</b>	<b>7,713</b>	<b>387</b>	<b>61,524</b>	<b>510</b>	<b>880,805</b>	<b>122,538</b>	<b>7,000</b>	<b>1,010,343</b>

Buildings include dwellings with a carrying amount of £294k. The other buildings are offices and workbases.

The amount held in the Revaluation Reserve for tangible assets at 31st March 2019 was £791,492k.

The valuation for the forest estate in the table above has been adjusted downwards overall by £2,158k to correct a historic duplication of the valuation of land at Cefn Croes windfarm. See note 1.11 for more detail.

The value of leased land for forest estate and other land has been restated from £49,520k to £42,093 and from £5,342 to £4,671k respectively to reflect a reduction of 15% in the valuation of leased land.

£3,733k representing the value of the asset at Lake Vyrnwy as at 1st April 2018 was re-classified during the year and was transferred from biological assets to financial assets in note 9.

### 7.1.1 Forest estate including biological assets

Legal ownership of the Welsh Government Woodland Estate is vested with the Welsh Ministers. It is included in Natural Resources Wales' Statement of Financial Position as Natural Resources Wales carries the financial risks and rewards associated with the estate and undertakes all estate management activities. The estate comprise land and growing timber. Legal ownership of timber, including uncut trees, is vested in Natural Resources Wales.

Woodlands and forests are primarily held and managed to meet the sustainable forest management objectives set out in Woodlands for Wales (The Welsh Government's strategy for woodlands and trees). Their purpose can be split between economic (contribution to a thriving and sustainable Welsh economy) and other (social, environmental, climate change). Under International Accounting Standard 41 (Agriculture), timber grown for economic purpose must be classified as biological assets. The rest of the timber, together with all underlying land, is classified as property, plant and equipment and referred to as the forest estate.

Assets in both categories are shown at fair value. External professional valuers undertake a valuation of the estate at five yearly intervals. Clegg & Co were appointed as valuers for the last valuation as at 31 March 2016. In accordance with the Royal Institution of Chartered Surveyors (RICS)'s Appraisal and Valuation Standards (the Red Book), the estate was valued as appropriate for obtaining a fair value. In the intervening years, custom indices are provided by Clegg & Co and are used to restate values. Natural Resources Wales and its external professional valuers have developed processes, including key assumptions, which produce a reasonable estimate of a compliant valuation.

Adjustments arising from revaluation of the forest estate are taken to the revaluation reserve and released to General Fund when gains are realised in the felling of trees. Adjustments arising from revaluation of biological assets are recognised in the Statement of Comprehensive Net Expenditure in the year of revaluation.

#### **Estimation techniques, assumptions and judgements**

Elements of the valuation and therefore the accounting for these assets rely on estimation techniques.

It is not considered cost effective to carry out a quinquennial external professional valuation covering all areas of woodland. Following advice from qualified valuers, it is deemed that a reasonable valuation can be derived by carrying out on-site valuations of a random sample of sites representing between 8% and 10% of the estate then extrapolating these for the whole estate, using the factors of location, species, age and quality (yield class) of the trees.

It is also considered that the most appropriate market-based evidence of value is derived from the market for the sale of woodlands and forests over 50 hectares in area. It is recognised that even so there can still be a wide spread of values and these can be somewhat subjective judgements. Thus any valuation of woods will have a degree of reliance on professional opinion. The external valuers subsequently apportion values to land and timber. The value of leasehold land is estimated to be 15% less than freehold land.

The apportionment of trees between biological assets and property, plant and equipment was carried out by Natural Resources Wales staff using judgements and estimates. An assessment was made of the proportion primarily held for economic purposes and the resulting percentage was used to determine the value of trees classed as a biological asset. Should there be an acquisition or disposal of land that would create a total change in our forest estate land holding of ten per cent or more, an interim review of the assessment would take place. There was no such change during the period ending 31 March 2020. The percentage split is currently 27.6% for biological assets and 72.4% for Property, Plant and Equipment. As required under IAS 41, the fair value of biological assets is reduced by estimated costs to the point of sale. These costs are estimated at five per cent of timber values and reflect the costs of selling the woodland or forest.

## Material Valuation Uncertainty Due to Novel Coronavirus (COVID-19)

The valuers of the Forest Estate, Clegg & Co, have included the clause outlined on page 106 in respect of the current COVID-19 situation. However, they provided the following additional comments to support the indexation applied to the Forest Estate as at 31 March 2020.

*"For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is a disclosure, not a disclaimer."*

Clegg & Co remain of the view that:

- The indexation of values is based on the historical activity in the market over the last year which will not have been affected by the COVID-19 situation, therefore the indexation applied up to 31 March 2020 is appropriate.
- Since the outbreak, interest in commercial forestry continues and values show no sign of diminishing so far. In the likelihood that low interest rates continue, forestry looks to be a very sensible asset class, especially for those interested in the larger, commercial forest properties. The smaller woodland market may be affected in a different way, but it is too early to predict.
- The future movement in values depends on several factors. These might include the duration of the COVID-19 measures; how the economy reacts during and after these; the outcome of Brexit trade talks; climate change protocols and ambitions to name a few.
- The longer-term fundamentals of forestry still hold good and Clegg & Co see no change in that. There may be a reduction in market activity while the critical phase of the COVID-19 restrictions is in force, but it is expected to recover once they are lifted.

### 7.1.2 Windfarms

Some Forest Estate land is leased to external parties as windfarm sites. The development of a windfarm is split into three stages. Each stage requires a different type of lease agreement.

- The first stage is the Option Lease Agreement. This provides the windfarm developer the right to exercise the option to build on the land. At this stage, Natural Resources Wales receives an option fee based on a financial formula set out in the agreement.
- The second stage is the Development Lease Agreement. Planning permission has been granted and construction takes place during this stage. Similar to the first stage, Natural Resources Wales receives an option fee based on a financial formula set out in the agreement.
- The third stage is the Operating Lease Agreement. The windfarm is fully operational and is generating electricity. Natural Resources Wales receives two elements of income; a guaranteed base rent and a royalty rent based on electricity generation.

More information about how the income is reported can be found in note 1.4

Leases for windfarms which are in the development or operation stage are capitalised as land asset within Other Land in note 7.1. In previous years, Cefn Croes has been the only windfarm included within Property, Plant and Equipment. An additional 3 windfarms were capitalised during 2019/20. At the point of capitalisation, the value of the land is deducted from the Forest Estate valuation which is disclosed within Other Land and is included with the windfarm valuation. A RICS red book valuation is carried out at the point of recognition. At 31 March 2020, Savills provided a full professional valuation for all four windfarms but a site visit was not possible due to COVID-19 restrictions which is a departure from the RICS red book standard.

Pen y Cymoedd and Brechfa West became operational during 2019/20 and Clocaenog is still in the development stage but completion is planned for 2020/21. These are TAN 8 windfarms (see note 1.4 for more information)

The individual values for the windfarms as at 31 March 2020 are shown below.

	<b>£000</b>
Cefn Croes	6,915
Pen y Cymoedd	80,400
Brechfa West	14,400
Clocaenog	<u>28,690</u>
<b>Total</b>	<b>130,405</b>

Two other windfarms are currently at the Option Lease Agreement stage. There will be just two stages for these windfarms as the development stage and operational stage will be merged. These will be capitalised when they move into the next stage.

Savills also included the material uncertainty clause within their valuation report to reflect the uncertain situation presented due to COVID-19 as outlined on page 106.

### 7.1.3 Heritage assets

Heritage assets are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. They are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

Our National Nature Reserves meet the criteria for heritage assets. They comprise non-operational land within designated conservation areas which were set up to conserve and to allow people to study their wildlife, habitats or geological features of special interest. This land is held for conservation and for sustainable public use. Under the FReM interpretation of IAS 16 (Property, Plant and Equipment) these assets have been capitalised at cost.

As at 31 March 2020 Natural Resources Wales manages 58 of Wales's National Nature Reserves, either entirely, or in partnership, and one Marine Nature Reserve (MNR). Land to the value of £99k was re-classified from Other land to heritage during the year.

Further information on Natural Resources Wales's heritage assets and policies on the acquisition, preservation, management, disposal and access to heritage assets can be found on the Natural Resources Wales website at:

<http://naturalresources.wales/guidance-and-advice/environmental-topics/wildlife-and-biodiversity/find-protected-areas-of-land-and-seas/national-nature-reserves/?lang=en>

## 7.2 Intangible non-current assets

	Software Licences	Other Licences	Software Development Expenditure	Web Site	Assets under construction	Total Intangible Assets
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
<b>At 1 April 2019</b>	10,069	2,354	13,003	477	5,076	<b>30,979</b>
Additions	112	0	1,113	0	6,473	<b>7,698</b>
Assets commissioned in year	135	0	2,545	0	(2,680)	<b>0</b>
Disposals and derecognition	0	0	(47)	0	(3)	<b>(50)</b>
Indexation and revaluation	0	0	0	0	0	<b>0</b>
Reclassification	(975)	(16)	973	0	0	<b>(18)</b>
<b>At 31 March 2020</b>	<b>9,341</b>	<b>2,338</b>	<b>17,587</b>	<b>477</b>	<b>8,866</b>	<b>38,609</b>
<b>Amortisation</b>						
<b>At 1 April 2019</b>	6,153	41	7,832	349	0	<b>14,375</b>
Charged in year	763	6	1,416	42	0	<b>2,227</b>
Disposals and derecognition	0	0	(31)	0	0	<b>(31)</b>
Indexation and revaluation	0	0	0	0	0	<b>0</b>
Reclassification	(567)	(9)	565	0	0	<b>(11)</b>
<b>At 31 March 2020</b>	<b>6,349</b>	<b>38</b>	<b>9,782</b>	<b>391</b>	<b>0</b>	<b>16,560</b>
<b>Carrying Amount at 1 April 2019</b>	<b>3,916</b>	<b>2,313</b>	<b>5,171</b>	<b>128</b>	<b>5,076</b>	<b>16,604</b>
<b>Carrying Amount at 31 March 2020</b>	<b>2,992</b>	<b>2,300</b>	<b>7,805</b>	<b>86</b>	<b>8,866</b>	<b>22,049</b>
<b>Asset Financing</b>						
Owned	2,992	2,300	7,805	86	8,866	22,049
<b>Carrying Amount at 31 March 2020</b>	<b>2,992</b>	<b>2,300</b>	<b>7,805</b>	<b>86</b>	<b>8,866</b>	<b>22,049</b>

The amount held in the Revaluation Reserve for these assets at 31st March 2020 was £657k.

### Comparative figures for the year ended 31 March 2018

	Software Licences	Other Licences	Software Development Expenditure	Web Site	Assets under construction	Total Intangible Assets
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
<b>At 1 April 2018</b>	8,139	2,354	12,573	477	2,392	<b>25,935</b>
Additions	198	0	137	0	4,607	<b>4,942</b>
Assets commissioned in year	1,732	0	293	0	(2,025)	<b>0</b>
Disposals and derecognition	0	0	0	0	(231)	<b>(231)</b>
Indexation and revaluation	0	0	0	0	0	<b>0</b>
Reclassification	0	0	0	0	333	<b>333</b>
<b>At 31 March 2019</b>	<b>10,069</b>	<b>2,354</b>	<b>13,003</b>	<b>477</b>	<b>5,076</b>	<b>30,979</b>
<b>Amortisation</b>						
<b>At 1 April 2018</b>	4,770	32	6,103	221	0	<b>11,126</b>
Charged in year	1,383	9	1,729	128	0	<b>3,249</b>
Disposals and derecognition	0	0	0	0	0	<b>0</b>
Indexation and revaluation	0	0	0	0	0	<b>0</b>
Reclassification	0	0	0	0	0	<b>0</b>
<b>At 31 March 2019</b>	<b>6,153</b>	<b>41</b>	<b>7,832</b>	<b>349</b>	<b>0</b>	<b>14,375</b>
<b>Carrying Amount at 1 April 2018</b>	<b>3,369</b>	<b>2,322</b>	<b>6,470</b>	<b>256</b>	<b>2,392</b>	<b>14,809</b>
<b>Carrying Amount at 31 March 2019</b>	<b>3,916</b>	<b>2,313</b>	<b>5,171</b>	<b>128</b>	<b>5,076</b>	<b>16,604</b>
<b>Asset Financing</b>						
Owned	3,916	2,313	5,171	128	5,076	16,604
<b>Carrying Amount at 31 March 2019</b>	<b>3,916</b>	<b>2,313</b>	<b>5,171</b>	<b>128</b>	<b>5,076</b>	<b>16,604</b>

The amount held in the Revaluation Reserve for these assets at 31st March 2019 was £686k.

## 8. Financial liabilities and instruments

### 8.1 Financial liability

The financial liability of £39,942k reported in the Statement of Financial Position includes £39,844k of liability from reservoir operating agreements.

In 1989, to enable privatisation to occur, HM Government negotiated reservoir operating agreements with the water companies. These agreements included fixed payments (indexed annually on the Retail Price Index) payable in perpetuity to the water companies. Natural Resources Wales is now responsible for the payments to Dŵr Cymru Welsh Water.

As the total liability has been calculated as perpetuity on an amortised cost basis it will not change from year to year except in the unlikely event of an agreement ceasing. Natural Resources Wales is able to recover the full cost of reservoir operating agreements including the annual indexation through its charges for water abstraction.

£5,848k was paid to Dŵr Cymru Welsh Water during 2019/20 (2018/19: £5,729k) for the indexed fixed payments. These are included with other payments under the reservoir operating agreements in Note 5.

Recently introduced legislative obligations relating to enhanced standards for spillways, pipes & dams as well as assets coming to the end of their useful lives have resulted in Dŵr Cymru Welsh Water implementing a capital programme over 8 years across the Clwyd, Dwyfor, Aled, Dee, Wye & Tywi catchments. This programme of new works has significantly increased costs to unprecedented levels which has resulted in Natural Resources Wales agreeing an incremental payment schedule with Dŵr Cymru Welsh Water over 10 years at a total projected cost of £27.2m.

Through the 'smoothing' of these costs and manageable increased charges for the abstractor, this facility has enabled Natural Resources Wales to forecast a sustainable Standard Unit Charge Account over the duration of this timeline. The cost is reported within Reservoir operating agreements in note 5 and the in-year deficit is reported as Long term payables in note 12. The corresponding income to be received is reported within abstraction costs in Note 6.1 and Long term receivables in note 10.

### 8.2 Financial instruments

As the cash requirement of Natural Resources Wales is mainly met through grant-in-aid, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with Natural Resources Wales's expected purchase and usage requirements and Natural Resources Wales is therefore exposed to little credit, liquidity or market risk.

IFRS 9 introduced a new Expected Credit Loss (ECL) model to estimate and account for expected credit losses for all relevant financial assets. Natural Resources Wales's estimate is based on our historic experience of credit losses updated for known future credit issues.

## 9. Financial Assets

	<b>31 March 2020</b>	<b>31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>
Lake Vyrnwy forest	4,811	4,238
Forest holidays	710	425
	<u>5,521</u>	<u>4,663</u>

In April 2018, Hafren Dyfrdwy became responsible for the management of the forest at Lake Vyrnwy, collecting the income and incurring the relative costs, where previously it was Natural Resources Wales's responsibility. Natural Resources Wales now have an advisory role under the afforestation scheme agreement and receives 50% of the operating surplus from Hafren Dyfrdwy. The asset was re-classified as a financial asset in 2018/19.

## 10. Trade and other receivables

	<b>31 March 2020</b>	<b>31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Due within 1 year</b>		
Trade receivables	5,629	4,320
Expected credit loss	(672)	(418)
Contract assets:		
Commercial and other	3,673	2,972
Accrued income:		
European and other external funding	1,044	1,196
Charges	1,325	1,297
Other	77	
VAT receivable	3,110	2,713
Prepayments	1,890	2,430
Deposit	0	377
Other receivables	35	180
<b>Total</b>	<u><b>16,111</b></u>	<u><b>15,067</b></u>
<b>Due after 1 year</b>		
Long term receivables	3,982	2,052
<b>Total Trade and other receivables</b>	<u><b>20,093</b></u>	<u><b>17,119</b></u>

## 11. Cash and cash equivalents

	31 March 2020 £'000	31 March 2019 £'000
Opening balance	49,025	43,539
Net change in cash and cash equivalent balances	(23,924)	5,486
<b>Total</b>	<b>25,101</b>	<b>49,025</b>

The following balances were held at 31 March

Government Banking Service	20,980	46,594
Other bank accounts	4,120	2,429
Cash in hand	1	2
<b>Total</b>	<b>25,101</b>	<b>49,025</b>

Cash and cash equivalents comprise cash in hand, financial provisions (see Note 1.9) and current balances which are held in Government Banking Service and Barclays bank accounts. They are readily convertible to known amounts of cash, and are subject to insignificant risk of changes in value. Financial provisions are not available for use by Natural Resources Wales. Only when the permit conditions are breached by the landfill operator will NRW give due consideration to drawing down the provision in place.

## 12. Trade and other payables

	31 March 2020 £'000	31 March 2019 £'000
<b>Due within 1 year</b>		
Trade payables accrual	12,561	8,286
Deferred income		
European and other external funding	2,595	1,840
Charges	5,017	4,094
Contract liabilities:		
Charges	478	564
Commercial and other	101	730
Holiday pay **	2,665	2,724
Trade payables	3,153	1,875
Bonds and deposits	1,301	1,256
Finance leases (current)	20	12
Other payables	4	172
Taxation and social security	9	9
<b>Total</b>	<b>27,904</b>	<b>21,562</b>
<b>Due after 1 year</b>		
Long term payables	3,829	2,052
Finance leases (non-current)	459	426
Long term deferred income	244	300
Long term bonds and deposits	190	190
<b>Total</b>	<b>4,722</b>	<b>2,968</b>
<b>Total Trade and other payables</b>	<b>32,626</b>	<b>24,530</b>

\*\* The calculation for accrued holiday pay as at 31st March 2020 does not include pension contributions.

The comparatives for 18/19 include an adjustment of £300k deferred income relating to charges and £190k bonds and deposits which have been re-classified from current payables to long term payables.

## 13. Provisions

	<b>Early departure costs</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April 2019</b>	27	1,051	1,078
Provided in the year	39	80	119
Released in year	0	(55)	(55)
Used in the year	(54)	(676)	(730)
<b>Balance at 31 March 2020</b>	<b>12</b>	<b>400</b>	<b>412</b>
<b>Estimated timing of discounted cash flows</b>			
Due within one year	12	400	412
Due between one and five years	0	0	0
<b>Total</b>	<b>12</b>	<b>400</b>	<b>412</b>

In line with the requirement of IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), where material, Natural Resources Wales provides for obligations arising from past events where there is a present obligation at the reporting date and it is probable that NRW will be required to settle the obligation and a reliable financial estimate can be made. The total provisions reported above are in the Statement of Financial Position under liabilities.

Provision for early departure costs consist of annual compensation payments to former staff who left under legacy bodies' early retirement programmes.

Other provisions include £269k of grant offers to fund work to be undertaken up to 31 March 2020 but which will not to be claimed until June 2020 and £131k for other claims. It is expected that all of these will be paid within the next twelve months. Commitments for grant offers to fund work to be undertaken after 31 March 2020 are reported within note 17 Other financial commitments.

The costs of the other provisions are shown in note 5. The additional provision for the movement in expected credit loss is shown in note 5, and the total provision for expected credit loss is shown in Note 10 and included in the Statement of Financial Position under Trade and other receivables.

## 14. Pension obligations

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

### 14.1 Civil Service Pension Scheme

CSPS is open to new employees.

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha, as appropriate. Where the official has benefits in both the PCSPS and alpha, the figure quoted is the combined value of their benefits in the two schemes but part of that pension may be payable from different ages).

Further details about the Civil Service pension arrangements can be found at the website.

[www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

## 14.2 Local Government Pension Scheme (LGPS)

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

EAPF operates a statutory, defined benefit pension scheme, primarily governed by the LGPS Regulations 2013 and the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014. These are subject to amendment over time. Further details on the pension fund, including its annual report and accounts, are on the EAPF website, [www.eapf.org.uk](http://www.eapf.org.uk)

The total LGPS pension charge for Natural Resources Wales for the financial year 2019/20 was £12,513k (£13,865k in 2018/19). The pension charge relating to the scheme was assessed in accordance with the advice of an independent qualified actuary using the projected unit method of valuation to calculate the service costs. Natural Resources Wales' funding arrangements are to pay the employer contributions to the Pension Fund either on a monthly basis or as lump sum payments.

The latest triennial actuarial valuation of the EAPF was at 31 March 2019. The assets taken at market value (£3.6 billion) were sufficient to cover 106% of the value of liabilities in respect of past service benefits which had accrued to members. Natural Resources Wales accepted the independent actuary's recommendation in respect of future employer contributions. The next triennial actuarial valuation will be as at 31 March 2022 and will be used to set employer contribution rates for the three-year period starting 1 April 2023.

The annual report and financial statements for the EAPF estimated that it had sufficient assets to meet 100% of its expected future liabilities at 31 March 2020 on an ongoing funding basis. Natural Resources Wales's share of the EAPF's liabilities as reported in these financial statements is calculated using different actuarial assumptions, required by IAS19, to those used in the EAPF's annual report. This leads to a different funding level to that reported by the EAPF.

The main difference in assumption is the discount rate used to value pension liabilities. The EAPF discount rate for funding purposes is based on a prudent expectation of the return generated from the portfolio of assets owned by the EAPF. The discount rate used in the Natural Resources Wales financial statements, as required by IAS 19, is based on high quality corporate bond yields, with no additional asset performance assumption. The real terms discount rate in these financial statements is therefore 0.3% lower than the rate used in the EAPF for funding purposes. This lower rate results in a higher value being placed on liabilities.

A number of assumptions are made as part of the actuarial valuation process. The prudent actuarial assumptions used do not represent a view on what future pay movements may be. It has been assumed that present and future pensions in payment will increase at the rate of 2.5% per annum. The estimated contribution payable by NRW, excluding any discretionary lump sum payments, for the year to 31 March 2021 will be approximately £0 as it has paid all of its normal employer contributions.

The notes below set out the disclosure requirements of IAS 19 for the current year in relation to Natural Resources Wales's participation in the EAPF. All calculations have been made by a qualified independent actuary and were based on the most recent actuarial valuation of the fund at 31 March 2019 updated to 31 March 2020. The assumptions underlying the calculation of a net liability at 31 March 2020 are only used for accounting purposes as required under IAS 19. There is no requirement for the reported net liability to be met as a lump sum. Cash contributions paid by Natural Resources Wales to the pension fund will continue to be set by reference to assumptions agreed at each triennial actuarial valuation of the scheme.

The Coronavirus (COVID-19) pandemic has impacted global financial and property markets. As a result of the volatility in market conditions, year-end valuation reports provided to the Environment Agency Pension Fund include a statement that there is a material valuation uncertainty relating to the UK property fund managed on behalf of the Environment Agency Pension Fund.

The total value of the property fund as at 31st March 2020 was £438m, of which approximately 10% is attributable to Natural Resources Wales. Whilst the not all parts of the property fund have valuation uncertainties attached to them, a material element relating to Natural Resources Wales does.

## McCloud Judgement

When the Local Government Pension Scheme was reformed in 2014, transitional protections were applied to certain older members within ten years of normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme by effectively giving them the better of the benefits from the old and new schemes.

In December 2018, the Court of Appeal upheld a ruling that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. This is referred to as the McCloud case. The implications of the ruling was expected to apply to the LGPS and other public service schemes as well.

In June 2019, the Supreme Court refused the Government permission to appeal the McCloud case in respect of age discrimination and pension protection. The pension scheme's actuary estimated the impact on Natural Resources Wales at £3,001k and the fund's closing valuation for 2018/19 reflected this. The current service cost for 2019/20 relating to the McCloud judgement is approximately £244k.

### 14.2.1 Financial and longevity assumptions

Period Ended	31 Mar 2020	31 Mar 2019
	% p.a.	% p.a.
Pension Increase Rate	1.6%	2.2%
Salary Increase Rate	2.1%	2.5%
Discount Rate	2.3%	2.4%

As at the date of the most recent valuation, the duration of the employer's funded liabilities is 22 years.

	Males	Females
Current Pensioners	21.9 years	23.8 years
Future Pensioners*	22.9 years	25.5 years

\* figures assume members aged 45 as at the last formal valuation date

### 14.2.2 Sensitivity analysis

Change in assumptions at 31 March 2020:	Approximate % increase to employer liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	11%	41,604
0.5% increase in the Salary Increase Rate	2%	9,062
0.5% increase in the Pension Increase Rate	9%	32,014

### 14.2.3 Duration of defined benefit obligation

The duration of the defined benefit obligation (i.e. the weighted average of the time until payment of future cash flows) for scheme members calculated at the last triennial valuation as at 31<sup>st</sup> March 2019 was calculated by the actuary as 22 years.

## 14.2.4 Fair Value of Assets

### Fair Value of Assets for the year ended 31 March 2020

Asset Category	31 March 2020 (£000)				
	Quoted	Unquoted	Undetermined	Total	%
<b>Equity Securities:</b>					
Common Stock	53,259.0	0.0	0.0	53,259.0	14%
Preferred Stock	0.0	0.0	0.0	0.0	0%
Rights/Warrants	0.0	0.0	0.0	0.0	0%
Other Equity Assets	109.2	0.0	0.0	109.2	0%
<b>Debt Securities:</b>					
UK Government Bonds	0.0	37,883.2	0.0	37,883.2	10%
Corporate Bonds	0.0	32,404.0	0.0	32,404.0	9%
Other	0.0	2,095.3	0.0	2,095.3	1%
<b>Pooled Investment Vehicles:</b>					
Equities	0.0	83,132.2	0.0	83,132.2	22%
Bonds	0.0	84,414.3	0.0	84,414.3	23%
Funds - Common Stock	0.0	0.0	0.0	0.0	0%
Funds - Real Estate	0.0	17,009.6	0.0	17,009.6	5%
Funds - Venture Capital	0.0	0.0	0.0	0.0	0%
<b>Venture Capital and Partnerships:</b>					
Partnerships & Real Estate	0.0	53,428.9	0.0	53,428.9	14%
<b>Other Investment:</b>					
Stapled Securities	0.0	0.0	0.0	0.0	0%
<b>Derivative Contracts:</b>					
Equity Derivatives - Futures	0.0	0.0	0.0	0.0	0%
Forward FX Contracts	0.0	(563.3)	0.0	(563.3)	0%
<b>Cash and Cash equivalents</b>					
All	0.0	0.0	8,898.6	8,898.6	2%
<b>Totals</b>	<b>53,368.3</b>	<b>309,804.1</b>	<b>8,898.6</b>	<b>372,071.0</b>	<b>100%</b>

### Fair Value of Assets for the year ended 31 March 2019

Asset Category	31 March 2019 (£'000)				
	Quoted	Unquoted	Undetermined	Total	%
<b>Equity Securities:</b>					
Common Stock	62,656.0	0.0	0.0	62,656.0	17%
Preferred Stock	0.0	0.0	0.0	0.0	0%
Rights/Warrants	336.8	0.0	0.0	336.8	0%
Other Equity Assets	3,474.4	0.0	0.0	3,474.4	1%
<b>Debt Securities:</b>					
UK Government Bonds	0.0	36,018.1	0.0	36,018.1	10%
Corporate Bonds	0.0	31,184.3	0.0	31,184.3	8%
Other	0.0	2,157.0	0.0	2,157.0	1%
<b>Pooled Investment Vehicles:</b>					
Equities	0.0	79,765.8	0.0	79,765.8	21%
Bonds	0.0	30,183.7	0.0	30,183.7	8%
Funds - Common Stock	0.0	0.0	0.0	0.0	0%
Funds - Real Estate	58,510.7	13,342.5	0.0	71,853.2	19%
Funds - Venture Capital	0.0	0.0	0.0	0.0	0%
<b>Venture Capital and Partnerships:</b>					
Partnerships & Real Estate	0.0	46,166.2	0.0	46,166.2	12%
<b>Other Investment:</b>					
Stapled Securities	0.0	0.0	0.0	0.0	0%
<b>Derivative Contracts:</b>					
Equity Derivatives - Futures	0.0	0.0	0.0	0.0	0.0
Forward FX Contracts	0.0	(424.4)	0.0	(424.4)	(0.0)
<b>Cash and Cash equivalents</b>					
All	0.0	0.0	9,732.9	9,732.9	3%
<b>Totals</b>	<b>124,977.8</b>	<b>238,393.3</b>	<b>9,732.9</b>	<b>373,104.0</b>	<b>100%</b>

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

Period ended 31 March 2020	Assets	Obligations	Net (liability)/asset
	£(000s)	£(000s)	£(000s)
Fair value of employer assets	373,104	0	373,104
Present value of funded liabilities	0	429,192	(429,192)
Present value of unfunded liabilities	0	0	0
<b>Opening Position as at 31 March 2019</b>	<b>373,104</b>	<b>429,192</b>	<b>(56,088)</b>
Service cost			
- Current service cost*	0	13,497	(13,497)
- Past service cost (including curtailments) **	0	(984)	984
- Effect of settlements	0	0	0
<b>Total service cost</b>	<b>0</b>	<b>12,513</b>	<b>(12,513)</b>
Net interest			
- Interest income on plan assets	9,043	0	9,043
- Interest cost on defined benefit obligation	0	10,412	(10,412)
- Impact of asset ceiling on net interest	0	0	0
<b>Total net interest</b>	<b>9,043</b>	<b>10,412</b>	<b>(1,369)</b>
<b>Total defined benefit cost recognised in Profit or (Loss)</b>	<b>9,043</b>	<b>22,925</b>	<b>(13,882)</b>
Cashflows			
- Plan participants' contributions	2,080	2,080	0
- Employer contributions	11,959	0	11,959
- Contributions in respect of unfunded benefits	0	0	0
- Benefits paid	(8,141)	(8,141)	0
- Unfunded benefits paid	0	0	0
Effect of business combinations and disposals	0	0	0
<b>Expected closing position</b>	<b>388,045</b>	<b>446,056</b>	<b>(58,011)</b>
Remeasurements			
- Change in financial assumptions	0	(37,917)	37,917
- Change in demographic assumptions	0	(10,258)	10,258
- Other experience	0	(24,301)	24,301
- Return on assets excluding amounts included in net interest	(15,976)	0	(15,976)
- Changes in asset ceiling	0	0	0
<b>Total remeasurements recognised in Other Comprehensive Income (OCI)</b>	<b>(15,976)</b>	<b>(72,476)</b>	<b>56,500</b>
Exchange differences	0	0	0
Fair value of employer assets	372,071	0	372,071
Present value of funded liabilities	0	373,582	(373,582)
Present value of unfunded liabilities	0	0	0
<b>Closing position as at 31 March 2020</b>	<b>372,071</b>	<b>373,582</b>	<b>(1,511)</b>

\* The current service cost includes an allowance for administration expenses of 0.6% of payroll. The current service cost relating to the McCloud Judgement is approximately £244k.

\*\* The past service cost includes an allowance of (£1,465,000) for the revised McCloud impact, based on the qualifying member criteria in the MHCLG consultation of July 2020. It also includes an allowance of £373,000 in relation to the Goodwin case affecting the benefits of the dependants of female members.

It is estimated that the present value of funded liabilities comprises of approximately £183,911k, £63,229k and £126,442k in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2020. The employer's fair value of plan assets is approximately 10% of the Fund's total.

## 14.2.5 Change in fair value of plan assets, defined benefit obligation and net liability (Continued)

Period ended 31 March 2019	Assets	Obligations	Net (liability)/ asset
	£(000s)	£(000s)	£(000s)
Fair value of employer assets	341,141	0	341,141
Present value of funded liabilities	0	373,625	(373,625)
Present value of unfunded liabilities	0	0	0
<b>Opening Position as at 31 March 2018</b>	<b>341,141</b>	<b>373,625</b>	<b>(32,484)</b>
Service cost			
- Current service cost*	0	11,623	(11,623)
- Past service cost (including curtailments and McCloud impact)	0	2,242	(2,242)
- Effect of settlements	0	0	0
<b>Total service cost</b>	<b>0</b>	<b>13,865</b>	<b>(13,865)</b>
Net interest			
- Interest income on plan assets	9,233	0	9,233
- Interest cost on defined benefit obligation	0	10,163	(10,163)
- Impact of asset ceiling on net interest	0	0	0
<b>Total net interest</b>	<b>9,233</b>	<b>10,163</b>	<b>(930)</b>
<b>Total defined benefit cost recognised in Profit or (Loss)</b>	<b>9,233</b>	<b>24,028</b>	<b>(14,795)</b>
Cashflows			
- Plan participants' contributions	2,094	2,094	0
- Employer contributions	7,089	0	7,089
- Contributions in respect of unfunded benefits	0	0	0
- Benefits paid	(7,050)	(7,050)	0
- Unfunded benefits paid	0	0	0
Effect of business combinations and disposals	0	0	0
<b>Expected closing position</b>	<b>352,507</b>	<b>392,697</b>	<b>(40,190)</b>
Remeasurements			
- Change in demographic assumptions	0	0	0
- Change in financial assumptions	0	36,495	(36,495)
- Other experience	0	0	0
- Return on assets excluding amounts included in net interest	20,597	0	20,597
- Changes in asset ceiling	0	0	0
<b>Total remeasurements recognised in Other Comprehensive Income (OCI)</b>	<b>20,597</b>	<b>36,495</b>	<b>(15,898)</b>
Exchange differences	0	0	0
Fair value of employer assets	373,104	0	373,104
Present value of funded liabilities	0	429,192	(429,192)
Present value of unfunded liabilities	0	0	0
<b>Closing position as at 31 March 2019</b>	<b>373,104</b>	<b>429,192</b>	<b>(56,088)</b>

\* The current service cost includes an allowance for administration expenses of 0.6% of payroll.

## 15. Capital commitments

Where Natural Resources Wales has contractual capital commitments which are not provided for in the financial statements, they are disclosed in the table below. Commitments relating to Capital Works Expensed in Year is shown in note 4.

	31 March 2020 £'000	31 March 2019 £'000
<b>Property plant and equipment</b>		
Plant and machinery	206	161
Transport equipment	940	12
Operational structures	1,262	1,186
Public Structures	150	13
<b>Total</b>	<u><u>2,558</u></u>	<u><u>1,372</u></u>
<b>Intangible assets</b>		
Information technology - software licences	420	8
Information technology - software development	1,248	422
<b>Total</b>	<u><u>1,668</u></u>	<u><u>430</u></u>
<b>Total</b>	<u><u>4,226</u></u>	<u><u>1,802</u></u>

## 16. Commitments under leases

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

A finance lease is one which transfers substantially the risks and rewards of ownership of an asset to the lessee. An operating lease is a lease other than a finance lease. Leases are assessed using the criteria laid down in IAS 17 (Leases). Land held under a finance lease is not depreciated.

Costs relating to operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the lease term and are shown in note 5.

Finance leases are capitalised at commencement at the lower of fair value of the leased asset or the present value of the minimum lease payments. A corresponding debt due to the lessor is recorded. Finance charges are charged to the Statement of Comprehensive Net Expenditure. Vehicles held under finance lease are depreciated over the term of the lease.

### 16.1 Operating leases

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

	31 March 2020			
	Land	Buildings	Vehicles	Total
	£'000	£'000	£'000	£'000
<b>Obligations under operating leases are:</b>				
Not later than one year	128	1,799	1,050	2,977
Later than one year and not later than five years	379	3,718	1,839	5,936
Later than five years	2,118	1,711	0	3,829
<b>Total value of obligations</b>	<u><u>2,625</u></u>	<u><u>7,228</u></u>	<u><u>2,889</u></u>	<u><u>12,742</u></u>
	31 March 2019 (Restated)			
	Land	Buildings (Restated)	Vehicles	Total
	£'000	£'000	£'000	£'000
<b>Obligations under operating leases are:</b>				
Not later than one year	88	1,800	528	2,416
Later than one year and not later than five years	219	4,122	260	4,601
Later than five years	1,802	3,196	0	4,998
<b>Total value of obligations</b>	<u><u>2,109</u></u>	<u><u>9,118</u></u>	<u><u>788</u></u>	<u><u>12,015</u></u>

The 31 March 2019 buildings values have been re-stated by a total of £4,551k to include lease commitments in respect of one building which was omitted in error.

## 16.2 Finance leases

	31 March 2020	31 March 2019
	£'000	£'000
<b>Obligations under finance leases for land are:</b>		
Not later than one year	20	12
Later than one year and not later than five years	49	42
Later than five years	410	384
<b>Total value of obligations</b>	<b>479</b>	<b>438</b>

## 17. Other financial commitments

Natural Resources Wales has entered into non-cancellable contracts not reported in note 4 - Capital Works Expensed in year, note 15 - Capital commitments or note 16 - Commitments under leases. The total other payments to which Natural Resources Wales is committed at 31 March 2020 are :

	31 March 2020	31 March 2019
	£'000	£'000
Not later than one year	13,087	16,802
Later than one year and not later than five years	13,784	13,522
Later than five years	948	172
<b>Total</b>	<b>27,819</b>	<b>30,496</b>

## 18. Lease receivables

Assets (land and buildings) which are leased to external parties under an operating lease are capitalised in accordance with the non-current assets policy which is outlined in Note 7. Operating lease income is accounted for on a straight-line basis and the future minimum lease payments receivable under non-cancellable operating leases are shown in the table below. The table includes projected income from windfarms, as NRW manages these leases on behalf of Welsh Government and royalties from Energy Delivery Programme, Third party access, Hydro and other leases.

	31 March 2020	31 March 2019
	£'000	£'000
Not later than one year	11,567	8,900
Later than one year and not later than five years	42,097	34,511
Later than five years	179,625	158,980
<b>Total</b>	<b>233,289</b>	<b>202,391</b>

The income from windfarm leases represents a large part of the values disclosed in the table above. Where windfarms are subject to Welsh Government's Technical Advice Note 8: Planning for Renewable Energy (TAN 8), the income is not retained by Natural Resources Wales and is surrendered to Welsh Government. More information regarding this income can be found in note 1.4.

## 19. Contingent liabilities

Natural Resources Wales discloses contingent liabilities in accordance with IAS 37 when a possible obligation exists depending on whether some uncertain future event occurs, or a present obligation exists but payment is not probable or the amount cannot be measured reliably.

Natural Resources Wales has the following contingent liabilities:

	<b>31 March 2020</b>	<b>31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>
Timber sales claims	508	0
Flooding claims	210	0
Public and employee liability	170	174
Judicial reviews	100	0
Other	0	20
<b>Total</b>	<u>988</u>	<u>194</u>

### **Timber sales claims**

Natural Resources Wales have received claims from timber firms in respect of their contracts with Natural Resources Wales. The amount disclosed in the table above relates to two claims.

### **Flooding claims**

Following the storms during February 2020 where communities in South Wales in particular were severely affected, seven claims have been submitted to Natural Resources Wales and their values are included in the table above.

### **Public and employee liability**

The value of six public and employee liability claims is included in the table above. These claims are for personal injury, damage to property and employee grievances.

### **Judicial review**

Wild Justice have issued a claim for Judicial Review against Natural Resources Wales in which they are seeking a declaration by the Court that the general licences issued by Natural Resources Wales under s.16 Wildlife and Countryside Act 1981 are unlawful. The amount disclosed relates to the estimated court costs.

### **Other claims**

It was concluded that the contingent liability of £20k disclosed in 2018/19 relating to additional National Insurance contributions for fuel benefit was not required.

## **Unquantified contingent liabilities**

In accordance with IAS 37, Natural Resources Wales discloses the following unquantifiable contingent liabilities. The above table does not include values for the following contingent liabilities:

### **Timber sales claims**

In addition to the claims included in the table above, a third claim has been submitted to Natural Resources Wales and the value has not yet been quantified.

### **Flooding claims**

Three claims have been received where the values are yet to be quantified.

### **Public and employee liability**

Two claims have been received but the values have not yet been established.

### **HM Revenue and Customs Audit**

An HM Revenue and Customs audit of Natural Resources Wales' treatment of Off-payroll working (IR35) is under way and will continue into 2020/21. An unquantifiable contingent liability is disclosed to recognise the possibility of non-compliance liabilities arising from the audit.

### **Minerals**

A trial took place between the 17 -26 June 2020 for a civil claim by a third party for the use of stones by Natural Resources Wales and one of its predecessor bodies. The court found entirely in Natural Resources Wales' favour and rejected the claim that Natural Resources Wales had used third party stone without permission. The claimants were ordered to pay Natural Resources Wales legal costs with £500k paid on account by the 25 September. A further £250k on account is payable by the 4 January 2021, with the remainder of the costs to be subject to detailed assessment. The claimants have however, applied for permission to appeal the judgement. At the first attempt, the trial judge rejected their application in its entirety. The claimants have now applied directly to the Court of Appeal with relevant papers served by both parties in September. Natural Resources Wales are now waiting to hear if the Court of Appeal will grant the claimants permission to appeal. It is anticipated that any appeal hearing would take place in early 2021 and if successful, Natural Resources Wales could be ordered to repay £750k to the claimants, pay the claimant's legal costs and pay compensation. It is not possible to know the actual value of the claimants legal costs nor the value of any compensation that may be ordered until an appeal is concluded and the court makes a final decision.

A second, similar claim has been received but Natural Resources Wales have agreed to an extension on a standstill agreement with the other party. No values have been discussed in relation to this second claim.

## **20. Impact of Brexit**

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. On 31 January 2020, the Withdrawal Agreement between the UK and the EU became legally binding and the UK left the EU. The future relationship between the EU and the UK will be determined by negotiations taking place during a transition period ending 31 December 2020. Funding has been allocated in 2020/21 to continue preparations for our exit from the EU.

## **21. Impact of COVID-19**

The COVID-19 pandemic caused significant economic disruption just before the financial year end. The ongoing disruption caused by the pandemic has created significant economic uncertainty, and this uncertainty is expected to continue throughout 2020.

As disclosed in note 7, the uncertainty surrounding COVID-19 may have impacted on the valuations of our assets as at 31 March 2020. Consequently, the valuations received from external firms of Chartered Surveyors and internal valuers were subject to a material uncertainty clause. This clause is not intended to suggest that the valuation cannot be relied upon, but reflects the increased uncertainty of the valuation due to the current circumstances.

COVID-19 has also affected the 31 March 2020 Local Government Pension Scheme IAS 19 figures, as reported in note 14. The IAS 19 results use actual market conditions and actual asset returns up to that date, so they do account for the impact of the pandemic up to that point.

## **22. Events after the end of the reporting period**

There are no events to be reported after the end of the reporting period.

## 23. Related parties

Natural Resources Wales is a Sponsored Body of the Welsh Government, which is regarded as a related party. During the year Natural Resources Wales has had significant material transactions with the Welsh Government in the normal course of business (the grant-in-aid and grants received from Welsh Government during the year is reported in the Statement of Taxpayers Equity). Natural Resources Wales has also had transactions with other entities for which the Welsh Government is regarded as the parent department namely Welsh Local Authorities and National Parks, and transactions with other government departments and other central government bodies. Most of these transactions have been with Environment Agency, Forestry Commission and HMRC.

During the year Natural Resources Wales, in the normal course of its business, entered into the following transactions with the following organisations in which Board and Executive Members or other related parties had an interest. The Board and Executive Members have no direct involvement in the transactions with these related parties. We have shown transactions for the full year including where members have joined or left during the year.

Organisation	Member	Nature of relationship	Total payments £'000	Total income £'000	Amount owed by NRW at 31 March 2020 £'000	Amount owed to NRW at 31 March 2020 £'000
Buglife	Steve Ormerod	Trustee	3	0	0	0
Canal and River Trust	Julia Cherrett's partner	Trustee	0	40	0	0
Cardiff University	Steve Ormerod	Professor	46	8	0	0
Cardiff University Water Research Institute	Steve Ormerod	Co-Director				
Cardiff University Llyn Brianne Observatory	Steve Ormerod and spouse	Principal Investigators				
Centre for Alternative Technology (CAT)	Rosie Plummer	Trustee	1	1	0	0
DEFRA including: Joint Nature Conservation Committee and Support Company	Karen Balmer	Independent member of the JNCC Audit and Risk Assurance Committee	2	0	0	0
Environment Agency	Steve Ormerod	Member of Science Advisory Group	3,832	2,684	2028	589
Farming and Wildlife Advisory Group	Geraint Davies	Chair	0	1	0	0
Groundworks North Wales	Karen Balmer	Group Chief Executive	4	0	0	0
Leonard Cheshire Disability	Elizabeth Haywood	Board Member and Trustee	0	1	0	0
National Association of Areas of Outstanding Beauty	Howard Davies	Chief Executive	30	0	30	0
National Theatre Wales	Clare Pillman	Board Member	5	0	0	0
North Wales Wildlife Trust	Howard Davies	Trustee and Honorary Vice President	145	0	0	0
Pembrokeshire Coast National Park Authority	Rosie Plummer	Welsh Government appointed board member	213	67	4	67
Plantlife International	Rosie Plummer	Trustee	18	0	0	0
RSPB	Steve Ormerod	Vice President	127	13	0	0
TGV Hydro Ltd	Chris Blake	Director	1	0	0	0

During the year Natural Resources Wales, in the normal course of its business, entered into the following direct transaction with the following Board member:

Member	Nature of transactions	Total payments £'000	Total income £'000	Amount owed by NRW at 31 March 2020 £'000	Amount owed to NRW at 31 March 2020 £'000
Geraint Davies	Section 16 agreements under the Environment (Wales) Act 2016	3	0	0	0

# Corporate Environmental Report 2019/20

## Our Vision

Proud to be leading the way to a better future for Wales by managing the environment and natural resources of Wales sustainably.

## Our Purpose

Through the new Environment (Wales) Act 2016, we

- must pursue the sustainable management of natural resources, and;
- apply the principles of sustainable management of natural resources.

## Introduction

Our environmental management system (EMS) is helping develop Natural Resources Wales (NRW) into an excellent organisation by maintaining our ISO14001:2015 certification, our forest certification against the UK Woodland Assurance Standard and by reducing our own environmental impact and carbon footprint.

NRW is also fully supporting the Welsh Governments Climate Emergency declaration made in April 2019. NRW also recognises the need to address the associated wider environmental emergency, particularly that of biodiversity loss, and the need to make the ecosystems of Wales more resilient to climate change.

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

## Summary of Performance

In 2019/20 we have:

- reduced our overall carbon footprint by 5% in relation to scope 1, scope 2 and currently measured scope 3 emissions compared with 2018/19 data;
- reduced our mains electricity usage in occupied buildings and depots for the sixth year in a row, with a 3% reduction in 2019/20 compared with 2018/19 data;
- reduced our overall business miles by 3% compared with 2018/19 data;
- retained certification to the ISO14001 environmental standard and the UK Woodland Assurance Standard, following independent external audits and verification.

Table 1: Corporate environmental report summary table

	Units	2016/17	2017/18	2018/19	2019/20
Greenhouse gas emissions	Consumption (tCO <sub>2</sub> e)	5,115	4,387	4,199	3,994
Energy	Consumption (million kWh)	6.3	6.0	6.3	7.1
	Expenditure (£k)	776	618	583	729
Waste	Generated (tonnes)	1,424	1,141	966	1,772
	Expenditure (£k)	225	273	218	333
Water	Consumption (m <sup>3</sup> )	76,283	50,908	40,115	42,127
	Expenditure (£k)	32	25	30	13

Table 1 reflects relative change for key areas in the last year.

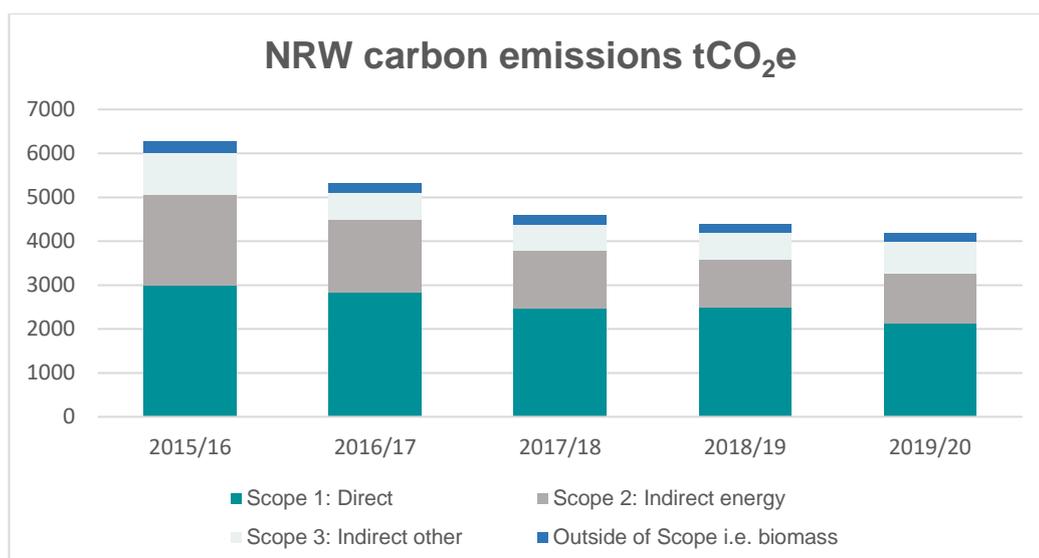
In summary:

- organisational greenhouse gas emissions decreased by 205 tonnes carbon dioxide equivalent (tCO<sub>2</sub>e);
- energy, waste and water all increased due to operational needs relating to flood alleviation, severe storms in January 2020 and fish hatchery requirements.

More detail around each can be found within the related sections of this report.

## Greenhouse Gas Emissions

Our greenhouse gas emissions are outlined below:



Carbon emissions decreased in 2019/20 by 4.9% compared with the previous year.

**Scope 1** direct emissions decreased by 14.8%, this was mainly due to a decrease in the amount of fuel used in our pool cars and by our operational teams.

**Scope 2** energy indirect emissions increased by 5.0%, this was due to an increase in electricity usage at our pumping stations to alleviate flooding.

**Scope 3** other indirect emissions increased by 17.8%, this was mainly due to an increase in operational waste (e.g. debris and silt removed from water courses).

Table 2: Greenhouse gas emissions

Greenhouse Gas Emissions	2016/17	2017/18	2018/19	2019/20
Scope 1: Direct emissions (tCO <sub>2</sub> e)	2,835	2,466	2,499	2,129
Scope 2: Energy indirect emissions (tCO <sub>2</sub> e)	1,662	1,317	1,077	1,130
Scope 3: Other indirect emissions (tCO <sub>2</sub> e)	617	603	624	735
<b>Total gross GHG emissions (tCO<sub>2</sub>e)</b>	<b>5,115</b>	<b>4,387</b>	<b>4,199</b>	<b>3,994</b>
<i>Outside of scopes (i.e. biomass)</i>	220	208	187	184

Note 1: Data not externally verified – Limited Assurance.

Note 2: The Scope 3 other indirect greenhouse gas emissions include; train travel, air travel, grey fleet travel, lease car travel, hire car travel, water and waste.

Note 3: Scope 3 emissions from the purchase of goods and services, aggregates use in construction and timber use are not included.

## Energy

Mains electricity usage in occupied buildings and depots decreased by 67,721 kWh a 3% reduction in 2019/20 compared with 2018/19 data

However, our total energy use (which includes electric, mains gas, LPG, heating oil and biomass) increased by 13.5% based on the previous year's data.

This was due to an increase in electricity use at our pumping stations from 1,298,317 kWh to 1,985,005 kWh to alleviate flooding.

Our seven largest pumping stations used over 700,000 kWh of electric to divert and manage water levels and flows to protect people, land and property from flooding.

The energy generated from renewables remained constant with a slight decrease due to seasonal variations. Two new sites were fitted with PV panels late March 2020 and with four further sites scheduled for installation in 2020/21 the amount of electric from renewables and % of electric sourced from renewables will increase in 2020/21.

Table 3: Energy consumption

Resource use		2016/17	2017/18	2018/19	2019/20
Energy used:	Consumption (kWh)	5,209,072	4,918,340	4,973,616	5,131,465
Occupied sites	Consumption (tCO <sub>2e</sub> )	1,723	1,436	1,236	1,188
Energy used:	Consumption (kWh)	1,131,651	1,122,103	1,298,317	1,985,005
Unmanned sites	Consumption (tCO <sub>2e</sub> )	466	395	367	507
Renewable energy:	Generation (kWh)	76,649	106,856	167,879	161,193
Self-generated	Consumption (% of energy used)	1.4%	2.2%	3.4%	3.1%
<b>Energy used: Total</b>	<b>Consumption (kWh)</b>	<b>6,340,723</b>	<b>6,040,443</b>	<b>6,271,933</b>	<b>7,116,470</b>
	<b>Consumption (tCO<sub>2e</sub>)</b>	<b>2,189</b>	<b>1,830</b>	<b>1,603</b>	<b>1,696</b>
	<b>Expenditure (£k)</b>	<b>777</b>	<b>618</b>	<b>583</b>	<b>729</b>

## Water

Mains water usage decreased by 565 m<sup>3</sup> a 4.6% reduction in 2019/20 compared with 2018/19 data.

Our water use intensity (m<sup>3</sup>/FTE) also decreased from 3.2 to 2.9, due to the decrease in water usage and an increase in staff full-time equivalents. (The average intensity for a typical office is 4.0 for water use.)

We are also currently working with Waterwise to improve our water management in offices and visitor centres to reduce our water usage further.

Overall water consumption increased by 2,012 m<sup>3</sup> a 5.0% increase in 2019/20 compared with 2018/19 data. This was mainly due to an increase in the amount of water abstracted to enable the NRW fish hatchery to operate efficiently (25,424 m<sup>3</sup> in 2018/19 to 28,007 m<sup>3</sup> in 2019/20).

Table 4: Water Consumption

Resource use Water	Units	2016/17	2017/18	2018/19	2019/20
Total mains (m <sup>3</sup> )	Consumption (m <sup>3</sup> )	11,411	11,894	12,368	11,803
Total Abstracted (m <sup>3</sup> )	Consumption (m <sup>3</sup> )	64,850	39,014	27,747	30,324
Office mains (m <sup>3</sup> )	Consumption (m <sup>3</sup> )	5,923	5,555	6,047	6,228
Abstracted (m <sup>3</sup> )	Consumption (m <sup>3</sup> )	15	22	32	26
Non-office mains (m <sup>3</sup> )	Consumption (m <sup>3</sup> )	5,488	6,339	6,321	5,575
Abstracted (m <sup>3</sup> )	Consumption (m <sup>3</sup> )	64,835	38,992	27,715	30,298
Water use intensity (for office use)	m <sup>3</sup> per FTE	3.3	3.0	3.2	2.9
<b>Water used: Total</b>	<b>Consumption (m<sup>3</sup>)</b>	<b>76,283</b>	<b>50,908</b>	<b>40,115</b>	<b>42,127</b>
	<b>Consumption (tCO<sub>2</sub>e)</b>	<b>26.2</b>	<b>17.5</b>	<b>13.8</b>	<b>14.5</b>
	<b>Expenditure (£k)</b>	<b>32</b>	<b>25</b>	<b>30</b>	<b>13</b>

## Travel

Our travel needs include; travel to manage sites, responding to serious environmental incidents, taking samples, dealing with flooding, site meetings and inter-office travel.

Business travel miles decreased by 218,457 miles a 2.9% reduction in 2019/20 compared with 2018/19 data.

Business travel carbon emissions decreased by 192 tCO<sub>2e</sub> a 9.6% reduction in 2019/20 compared with 2018/19 data, this was due to an increased proportion of business travel being done by train.

The travel done in electric vehicles dropped slightly this was due to problems with the charging infrastructure. With plans to increase the number of electric vehicle charging points and with an additional twenty-five electric vehicles already purchased we are looking to increase our electric vehicle mileage in 2020/21.

Table 5: Business Travel

Travel by vehicle	Units	2016/17	2017/18	2018/19	2019/20
Badged vehicle	Miles travelled	6,064,812	5,440,945	5,562,246	4,934,687
	Expenditure (£k)		749	789	720
Lease vehicles	Miles travelled	191,730	0	0	0
	Expenditure (£k)	18	0	0	0
Grey vehicles	Miles travelled	639,064	590,998	614,868	554,375
	Expenditure (£k)	287	266	277	249
Hire vehicles	Miles travelled	322,505	261,039	277,390	512,209
	Expenditure (£k)	74	88	124	195
Train	Miles travelled	864,366	938,418	993,213	1,258,211
	Expenditure (£k)	223	183	328	397
Air	Miles travelled	71,057	33,661	50,299	26,663
	Expenditure (£k)	19	5	7	7
Bicycle	Miles travelled	2,346	2,301	3,714	4,012
	Expenditure (£k)	< 1	< 1	< 1	< 1
Motorbike	Miles travelled	2,447	1,735	1,155	729
	Expenditure (£k)	< 1	< 1	< 1	< 1
Electric	Miles travelled	0	0	32,832	26,374
<b>Total vehicle travel</b>	<b>Miles travelled</b>	<b>8,158,327</b>	<b>7,269,097</b>	<b>7,535,717</b>	<b>7,317,260</b>
	<b>Consumption (tCO<sub>2e</sub>)</b>	<b>2,249</b>	<b>2,019</b>	<b>2,002</b>	<b>1,810</b>
	<b>Expenditure (£k)</b>		<b>1,291</b>	<b>1,525</b>	<b>1,568</b>

## Waste Minimisation and Management

A total of 196 tonnes of office waste was diverted from disposal to landfill in 2019/20 compared with the 2018/19 data.

Operational waste increased due to the severe storms in January 2020, large amounts of waste (debris and silt) was removed from water courses to prevent flooding. Also, the requirement to dispose of hazardous fly-tip has led to an increase in carbon emissions related to waste.

Table 6: Waste Generated

Waste Category	Units	2016/17	2017/18	2018/19	2019/20
Office waste to landfill	Consumption (tonnes)	241	213	286	90
	Consumption (tCO <sub>2</sub> e)	101	125	168	53
	Expenditure (£k)	22	25	25	24
Office waste Recycled / reused	Consumption (tonnes)	934	600	431	972
	Consumption (tCO <sub>2</sub> e)	20	13	9	21
Office waste Incinerated	Consumption (tonnes)	15	27	31	31
	Consumption (tCO <sub>2</sub> e)	< 1	< 1	< 1	< 1
Operational & fly-tipped waste	Consumption (tonnes)	234	301	218	680
	Consumption (tCO <sub>2</sub> e)	65	135	98	269
<b>Total waste</b>	<b>Consumption (tonnes)</b>	<b>1,424</b>	<b>1,141</b>	<b>966</b>	<b>1,772</b>
	<b>Consumption (tCO<sub>2</sub>e)</b>	<b>186</b>	<b>274</b>	<b>276</b>	<b>343</b>
	<b>Expenditure (£k)</b>	<b>225</b>	<b>273</b>	<b>218</b>	<b>333</b>

## Sustainable Procurement

Our Vision for Procurement is to provide effective procurement leadership and direction in support of Natural Resources Wales mission and values and embed the fundamental concepts of a learning organisation with the Sustainable Management of Natural Resources (SMNR) as its central organising principle.

Procurement and the carbon positive team have been working collaboratively to implement the use of a Carbon Planning Tool in our contracts. The aim of this is to reduce the carbon emissions generated indirectly by our contractors, these are the most challenging source of emissions to tackle. Funding has been secured for a specialist to work with Procurement to develop the tools and a methodology for reducing emissions in our supply chain.

## Environmental incidents

In 2019/20 there were twenty environmental incidents because of our work or that of contractors we manage.

There were no incidents classed as High, fifteen were classed as Low, four were classed as Events and one was Unclassified.

When incidents occur because of our work (or that of our contractors), we review what has happened, and act to address the root cause of the incident.

## Governance and Reporting

We report on our carbon footprint as part of our performance framework, which is reported by the Executive Team to the Board (in open public session) four times each year.

We collect the data used within this sustainability report through a combination of meter readings (e.g. gas, electricity), invoices (e.g. fuel card purchases), supplier's data (e.g. train miles) and finance data, using the most accurate source/s we have available. We also look to minimise use of any estimated data in our reporting.

## Carbon Positive Project

The following carbon positive project priorities were endorsed by the NRW board in June 2019, with NRW committing to scope and cost the following projects:

- Deep peat restoration;
- Woodland creation;
- Renewable energy generation;
- Roll-out of electric vehicle infrastructure and vehicles;
- Low carbon heat and energy efficiency in our buildings and assets;
- Tackling procurement related emissions;
- Influencing external emission reduction across Wales, by:
  - extending decarbonisation support and advice to Welsh Government, Welsh-public sector bodies and Public Sector Boards;
  - working with Welsh Government to understand our potential role considering carbon in planning, permitting and regulatory regimes;
  - implementing behaviour change including staff engagement to embed consideration of carbon across NRW and beyond;
  - evaluating and communicating the current impacts of climate change to stimulate further public debate and support for rapid decarbonisation to minimise future impacts.

These priorities were presented to the First Minister and the Minister for Environment, Energy and Rural Affairs.

## Future Strategy

Over the next two years in line with our current corporate strategy we want to:

- Continue to deliver the NRW carbon positive action plan 2020/22 to include; retrofit buildings with solar PV, develop an electric vehicle (EV) charging infrastructure, increase the EV mileage, identify and deliver a programme of peatland projects in order to further reduce our carbon emissions;
- Develop mechanisms for active and sustainable travel to be the favoured choice of NRW commuter travel and for appropriate business journeys;
- Continue to maintain certification to the ISO14001 environmental standard for all NRW activities and certification to the UK Woodland Assurance Standard for the Welsh Government Woodland Estate.



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