



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

Annual Report and Accounts 2020-2021



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Chair's foreword

Welcome to NRW's annual report and accounts for 2020/21.

The last year fundamentally changed the world and the way we lived, and for us all the last year has proven unlike any other time in living memory. Here at NRW, whilst it has been immensely challenging, responding to the Covid 19 crisis has unequivocally brought us closer together – albeit virtually. It has also built our collective confidence in our capabilities under pressure, and illustrated the remarkable resilience of the people who make up our organisation.

We are continuing to manage some of the historical issues around timber, and there has been a strong focus on addressing compliance more generally in the wake of matters raised by Internal Audit. We recognise that we are still very much on a journey to deliver expectations – both those of our key stakeholders and our own, and we are committed to achieving the improvements required.

Our primary concern throughout this year has been ensuring the wellbeing of our staff, and that they were supported to work safely and effectively. The phenomenal effort of the whole organisation, including in particular our ICT team, to deliver the transition to home-working, and operate new software platforms in such difficult circumstances must be recognised, as should the positive attitude of our staff in embracing the new ways of working so quickly.

Protecting and ensuring access to our natural environment for a wide variety of uses is now more vital than ever, and while the growing appreciation of our natural environment is warmly welcomed, there is still so much to do to protect the land and wildlife that we have come to care about so much. We now need to capitalise on this renewed connection to our environment and the increased public appetite to play their part in taking action to tackle the nature and climate crises.

Importantly, as a champion of the environment in Wales, NRW has significant opportunities to lead the conversation about what a changing climate means for each and every one of us. A key piece of work for us this year was to publish a review of the February 2020 floods, the devastating impact of flooding which serve as warnings of what we might face more regularly in the future as climate change accelerates. The reviews raised some critical discussion points: Wales must act now to adapt to the impacts of the climate emergency because we are unlikely to ever be able to fully manage and mitigate against all such events.

Wales will also have to make difficult choices about the level of service that is practical, realistic and feasible, and the associated implication for the investment required to make Wales more resilient in the future. Whilst we can reduce some of the likelihood and impacts from flood events, we cannot control the weather and prevent all impacts. The increasing likelihood of flooding means that we need to think deeply about how we manage such huge quantities of water, and consider taking an integrated approach to flood risk management. The reality is that we cannot just build our way out of this. We need a blend of hard engineered defences, natural flood management projects, and improved community awareness to build the resilience necessary.

In this Annual Report you can read about some of our key projects in terms of protecting communities and nature conservation. Amongst a number of achievements, I commend the launch of the second [State of Natural Resources Report](#) (SoNaRR2020) as a key milestone for NRW. This report builds on the evidence base of the first SoNaRR, illustrating some of the key challenges, priorities and opportunities for the sustainable management of natural resources (SMNR). At its heart is the ambition to bridge the gap between where we currently are and where we need to be – setting out a range of opportunities for action to move towards a sustainable future, and what we hope will be a catalyst for positive action across Wales for the years to come.

This evidence will be central to how we shape our economic response to the pandemic. I was pleased to have been asked by Welsh Government to lead a Task Force to help design a green recovery plan. The Group has focused its efforts on working with communities to drive integrated and long-term proposals for practical action. In drawing on the expertise and knowledge we have across our environmental, private and third sectors, we can ensure that the deepening climate and nature emergencies we continue to face are enshrined in the development of plans to respond to the Covid pandemic. We have been afforded a unique opportunity to re-set behaviours at a critical time. We must seize this moment to embed the adaption to our behaviours, and work together to do things differently so that we can make meaningful and sustained impact.

Now in my third year as Chair, I would like to thank our Board Members for their continued support during this difficult time and in particular to recognise the work of Chris Blake who stepped down in February, just a few months shy of completing his second term. He has made an outstanding contribution across a variety of roles on the Board during his time with us, and I am very grateful for his help and support over the years.



Sir David Henshaw

Chair

13 July 2021

Performance Report

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

Chief Executive's statement

This year has tested us like no other. While we have risen to the challenge, it is clear that the ongoing impact of the last 12 months has placed untold pressures on our staff, our partners and our wider communities.

I am pleased that feedback from Audit Wales means I expect that these accounts will be unqualified, the first since 2015-16. The issues that led to qualification were serious and the work to bring our timber sales up to the standards expected of a public body in the third decade of the 21st century has been challenging. We are in no way complacent about this area of our work, or the wider implications around contract and performance management, and whilst we believe that we have made good progress, it will take time to be reflected in the internal audit opinion. My Executive team and I are determined to continue the improvements, so that we can be – and be seen to be - the high performing organisation across all aspects of our work that we aim to be.

Against the backdrop of the rapidly changing pandemic, we have concentrated on protecting Wales' environment and its communities - working quickly, creatively and efficiently to maintain priority services. From the outset we also maintained an outward focus, supporting our partners and others dealing with the crisis. From helping regulated businesses navigate the implications of the new and changing restrictions and regulations, to ensuring the continued supply of timber to keep business and deliveries open; and from quickly providing much needed grants to third sector environment organisations, to providing staff volunteers to aid Welsh Government and others. We also supported the vaccination programme through advice on vaccination types and waste categorisation and classification. We are pleased and proud to have played a part in the hugely important fight against Covid.

I am immensely appreciative of all our staff, particularly those on our incident teams and on rotas, who have worked tirelessly this year in our role as a Category 1 Responder, on behalf of Welsh Government. Despite Covid restrictions, we have continued to deal with the aftermath of some of the most severe storms seen in Wales for a generation. Adverse weather affected us during the summer and winter months too, with wildfires across Wales in May destroying large areas of forests and killing wildlife. Further flooding caused devastation to homes across the south east of Wales just before Christmas, and in February, we worked with our incident management partners to support residents in Skewen, where heavy rain led to a burst mineshaft. My thoughts remain with all of those affected during what was already a deeply difficult time.

The public enjoying their local environment during lockdown has increased the number of reports of pollution incidents we have dealt with. Even when these are not individually significant, they give us a picture of the state of our environment and the pressures of development and increasing human activity. We also dealt with the worst pollution incident since the Sea-Empress disaster a quarter of a century ago. August's freight train derailment and fire in Llangennech saw a diesel spill of around 350,000 litres into an acutely sensitive area with multiple landscape and biodiversity protections. We have worked hard with our partners to protect the local habitat, clearing the site so that the line is operational again.

Despite all the challenges, staff have undertaken outstanding work. We delivered our flood programme and capital maintenance works as planned and have also now completed the Crindau Flood Risk Management Scheme in Newport, Gwent. The scheme will not only provide protection for homes and businesses in an area with a long history of tidal flooding, but it will also be a catalyst for regeneration and provide a multitude of other benefits to the local community.

We have continued to deliver our regulatory duties to protect Wales' land, air and water environments, considering the increasing challenges of climate change, urban and rural development, waste management and agricultural and water company discharges. During the pandemic we have worked on innovative techniques to bolster our traditional regulatory inspections, using technology to support our audits and to assess the data returns we received from permit holders. We continue to work with our partners and stakeholders to safeguard and improve our natural resources. We face difficult issues around nutrient management, in particular, phosphates in our designated rivers and how we implement new Control of Agricultural Pollution regulations which introduce a Wales-wide control on nitrates.

During the deepest, darkest winter months, we focused on mental health and well-being, making sure we listened to our staff to understand what we could do to support them during this difficult time. I am so pleased that our work around organisational values has borne such strong fruit, with staff supporting colleagues through adversity. We have continued listening throughout the work to develop our Renewal from Covid programme to shape the future of our organisation, and become the best organisation we can be.

It is clear that our experiences during the lockdown restrictions have given many of us a heightened sense of the importance of the natural environment on our doorsteps. Making use of a variety of local pathways and walks was certainly key to my own wellbeing throughout lockdown. But more widely it has brought into sharp relief how valuable access to green space is to the physical and mental wellbeing of us all, reinforcing the immense health benefits that improve our resilience – whether that be through visiting Wales' iconic mountains, areas of outstanding natural beauty, or spending time in our own gardens and neighbourhood public parks.

This brings its own problems, however. As we saw from the queues snaking Snowdon, the sheer volume of cars parking at our nature spots, and the significant littering across our countryside, there is already considerable pressure on our natural attractions and on the Welsh Government Woodland Estate. While this increased interest is very welcome, it raises questions about how we manage the need for access and monitoring of our environment going forward. Balancing the demands of recreation, timber, energy, the

regenerative economy and community use will be an immense challenge going forward, with decisions to be made in how we achieve that balance in a way which protects our environment yet also meets the aspirations of Welsh Government, the requirements of industry and the expectations of the Welsh public.

We look forward to a “super year” ahead, with the momentum of the COPs on Biodiversity and Climate Change really upping the ante for the delivery of our renewal programme, a new Programme for Government, our work around a new Vision for 2050 and the next corporate plan. We must now harness these opportunities to stimulate discussions and action amongst every sector, every organisation and every community in Wales so that together we can tackle the challenges of the climate and nature emergencies head on.

A handwritten signature in black ink, appearing to read 'Clare Pillman', with a horizontal line underneath.

Clare Pillman

Chief Executive and Accounting Officer

13 July 2021

Introducing NRW...

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 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 many thousands of people including farmers, foresters, and tourist operators, creating wealth and prosperity.

Roles and responsibilities:

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 8,000 reports of environmental incidents a year as a Category 1 emergency responder
- **Statutory consultee** on around 7,000 planning consultations a year
- **Manager** of 7% of Wales' land area (influencing a further 23%), 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 approximately 2,200 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

NRW in numbers

Champion the Welsh environment and the sustainable management of natural resources

- Member of all 19 Public Services Boards in Wales

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

- Processed 3,229 permit applications¹
- [UK Woodland Assurance Standard](#) accredited
- Manage 7% of the land in Wales

Improve resilience and quality of our ecosystems

- Responsible for the 12 nautical miles from the coastline
- Issued 1,712 species licences
- Manage 58 [National Nature Reserves](#)

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

- Maintain 455km of flood risk defences
- 132,581 properties registered to receive our [flood warnings](#)
- Received and responded to 8,676 reports of [environmental incidents](#)

Help people live healthier and more fulfilled lives

- Pre-pandemic, facilitated an estimated 3 million visitors each year to some of our most popular larger sites
- Manage 5 [visitor centres](#)
- Responsible for 25 [accessible grade waymarked trails](#)

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

- Responded to 6,970 [planning consultations](#)
- £30.6m timber income
- 57 prosecutions for environmental offences in 2020

Develop NRW into an excellent organisation delivering first class customer service

- Achieved Silver [Corporate Health Standard](#)
- 2.5% [gender pay gap](#)
- Expenditure of £225m

¹ *via our Permitting Service

Our Well-being Objectives and Strategic Priorities

Our Well-being Objectives are described in our [Corporate Plan to 2022](#):

- Champion the Welsh environment and the sustainable management of Wales' natural resources
- Ensure land and water in Wales is managed sustainably in an integrated way
- Improve the 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

For 2020/21, we were focussing on five strategic priorities as reflected in our annual [Business Plan](#) in working to achieve our Well-being Objectives:

- Responding to the climate emergency
- Responding to the nature emergency
- Developing and using our evidence with partners to advocate for and deliver the sustainable management of natural resources
- Developing NRW into an excellent organisation that supports the communities of Wales
- Responding to the Covid-19 pandemic and the UK leaving the European Union, taking opportunities for a green recovery

For information on how our organisation is structured to deliver, please see our Accountability Report '[Our Executive](#)' (page 27), or our website [here](#) for further detail).

Key risks summary

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 in our Accountability Report (page 15), risks to delivering our objectives are identified, assessed, managed, reviewed and recorded through risk registers at various levels of the business.

At the beginning of this financial year, we focussed our efforts on what we needed to do to manage the risk from Covid-19 – both to us internally and to our external facing services and customers. Our Incident Response and Recovery Group established and maintained a risk register relating to the pandemic. Our initial focus was to ensure continuity of our priority activities whilst protecting our staff, considering the effects on their health and wellbeing. We followed Government advice and worked with staff, customers and partners to ensure everyone's safety. 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. Our strategic risk register includes the following key risks:

- **Failure of Assets** - Our assets include major infrastructure such as reservoirs and flood assets, as well as key assets on the Welsh Government woodland estate. A failure in these assets could have a major impact on the general public, so we put a lot of effort into managing our assets to required 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.
- **Wellbeing, Health and Safety of our staff, contractors, visitors and tenants** - Some of our operational work carries significant health and safety risks, for example during the harvesting of forestry, which 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, including a Wellbeing, Health and Safety Strategy and Risk Assessments. During 2021/22 we will continue to work towards achieving full ISO45001 accreditation in April 2022.
- **Finance** - We depend on Welsh Government grant-in-aid for just over half of our funding, in addition to commercial income and income from regulatory charges. We have improved our budget management and forecasting, but we continue to have to prioritise the activities we can deliver and to balance the demands for our services. We liaise with Welsh Government, explaining our activities and benefits to Wales through the work that we do and articulating the level of service that can be provided for the 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.
- **Embedding SMNR** - Our statutory purpose is to sustainably manage our natural resources. We need to demonstrate, through innovative ways of place-based working and evidence-based decision making, the application of this purpose across the organisation. We train our staff to ensure that this is achieved and we also encourage our partners/stakeholders to include this in their training plans.

Performance summary

Our performance framework reflects statutory guidance we have received on the sustainable management of natural resources, the biodiversity duty all public authorities have, and other guidance.

All measures in our performance framework relate to our Wellbeing Objectives. Reporting and scrutiny of topics and measures in our annual Business Plan dashboard takes place in open public session at NRW Board meetings four times a year, with further scrutiny of this reporting via Welsh Government.

Our Business Plan dashboard reflected 35 measures this year, across 20 topics. At year end, of those measures:

- 21 were green – achieved target or milestone
- 12 were amber – close to target or milestone
- 2 were red – missed target or milestone

The impact of Covid-19 meant a number of measures were changed within the year (for quarter two onwards), with approval of our Board. In updating the measures, we aimed to ensure they reflected realistic targets, considering the known, and anticipated, impact of Covid-19 in year on individuals, organisations, and their delivery capacity, with 15 measures updated.

Comparing performance with the previous year (2019/20), in 2020/21 there were 11 more green measures, one less red measure, with no measures continuing to be red from 2019/20 to 2020/21 (and nine more measures in total in 2020/21).

To see more on the performance position of each of the 35 measures, please see our published Business Plan dashboard ([here](#)), and our Board papers for the in year dashboards. Reports for previous years can also be viewed via our [Annual report and accounts](#) webpage.

Finance summary

Funding and how we spent our money: Our total income for the year was £78 million. In addition, the Welsh Government provided £105 million Grant in Aid and other grants towards a range of outcomes, of which £35 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. Our total expenditure for the year was £225 million, an increase from £207 million in 2019/20. The change is due to several reasons, including an increase in staff costs following the completion of our organisation design, undertaking of a new capital programme focused on biodiversity and water quality benefits, a bigger flood risk management capital programme and more money spent on our grants programmes. Our total funding and spend distribution:

- Funding by type: Welsh Government grant (57% / £105m), Charges (20% / £37m), Commercial and other income (22% / £39m), European and other external (1% / £2m)
- Expenditure by type: Staff costs (47% / £106m), Capital works expensed in year (9% / £20m), Other expenditure (44% / £99m)

Managing our money: In 2020/21, although our 'core' funding from Welsh Government reduced as a result of the Covid-19 pandemic restrictions and wider pressures on the Government's budget, Welsh Government provided other funding at the beginning and during the financial year, which helped us afford our existing plans and spend £11m on a new capital programme across 70 projects achieving significant biodiversity benefits. Our timber income also increased due to the buoyant market and that income was all re-invested into forestry. We have also utilised reserves and, as a result, our cash balances have reduced accordingly. All budget allocations were scrutinised and approved by the Executive Team and Board.

Future look: We have published our Business Plan for 2021/22 which sets out our priorities for the financial year ahead. Our current Corporate Plan runs until 2023. We have set our plans based on expected resources, including Grant in Aid, charges and commercial income allocations and estimates. Charge income tends to be relatively stable, but our commercial income is less predictable as it's very sensitive to exchange rate changes which affect timber prices. We don't know our Grant in Aid allocations for 2022/23 onwards but we will be working closely with Welsh Government on what we can achieve with the possible levels of available funding. Welsh Government is planning to issue indicative longer-term funding in future which will help our planning.

Non-current assets: The value of our non-current assets was £2,101 million at 31 March 2021, a 69.3% (£860 million) increase compared to last financial year. The most significant component is the value of the forest estate and biological assets which accounts for £1,773 million of the total and the strong valuation of the crops on the estate was the main reason for the large increase.

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 fell just below (94%). In six of the twelve months, we were above the 95% threshold and fell below the target for the year because of the change in staff working arrangements during the Covid-19 pandemic restrictions.

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 reduced to one day compared to three days in 2019/20. Our management of regulatory debt has seen an increase from 3.7% in 2019/20 to 5.6% at the end of 2020/21. We have not entered any legal proceedings during the Covid-19 pandemic, instead issuing reminder letters and talking to customers, making arrangements for the recovery of debt. As we come out of the pandemic, we will have to adjust our approach to improve our debt situation. The bad debt provision for regulatory debt is £0.8 million as at 31 March 2021.

Going Concern: The Statement of Financial Position at 31 March 2021 shows positive taxpayers' equity of £1,949 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 2021/22. Therefore, it is appropriate to adopt a going concern basis to prepare the Financial Statements.

Pensions: The pension liability is disclosed in the Financial Statements based on International Accounting Standard 19. The liability has increased for the Local Government Pension Scheme from £1.5 million to £106.6 million in the year. This is different from the basis used for funding calculations. The Environment Agency Pension Fund has estimated that it had enough assets to meet 111% of its expected future liabilities at 31 March 2021.

Auditors: Our accounts are audited by the Auditor General for Wales. The audit fee for 2020/21 was £188k.

Other reports: As an organisation, we regularly publish a number of reports including an [Equality, diversity and inclusion annual report](#), a [Corporate environmental report](#), and [Area Statements](#); all of which can be accessed [here](#). Published research and evidence reports can also be accessed [here](#) (including the [State of Natural Resources Report \(SoNaRR\) for Wales 2020](#)).



Clare Pillman

Chief Executive and Accounting Officer

13 July 2021

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 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). 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.

Name	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 Finance & Corporate Services	Rachael Cunningham	7 September 2020 – present
Executive Director of Operations	Gareth O'Shea	27 April 2015 – present
Director of Corporate Strategy and Development	Prys Davies	1 April 2019 – present
Executive Director of Communications, Customer and Commercial	Sarah Jennings	7 September 2020 – present

Our Executive Team Register of Interests as at March 2021 is included here.

Name	Position	Interest	Individual	Role
Clare Pillman	Chief Executive	No interests to declare		
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 funded project supporting energy research in Wales.
Ceri Davies	Executive Director of Evidence, Policy and Permitting	Other	Personal	Member of the Chartered Institute of Waste Management
Prys Davies	Director of Corporate Strategy and Development	Executive or Non-Executive Board, Committee or Trust Membership	Personal	School Governor, Ysgol Pencae, Cardiff
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 evaluate and recommend project bids on behalf of the Invest Local EU funded programme.
Rachael Cunningham	Executive Director of Finance & Corporate Services	Executive or Non-Executive Board, Committee or Trust Membership	Personal	Trustee of Chwarae Teg Charity
Sarah Jennings	Executive Director of Communications, Customer and Commercial	Executive or Non-Executive Board, Committee or Trust Membership	Personal	Trustee of National Botanic Garden of Wales

Name	Position	Interest	Individual	Role
Sarah Jennings	Executive Director of Communications, Customer and Commercial	Executive or Non-Executive Board, Committee or Trust Membership	Personal	Trustee of Community Foundation Wales

The Register of Interests for our Board members is available on our website under [Register of Interests](#).



Clare Pillman
Chief Executive and Accounting Officer

13 July 2021

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 (FReM) 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 FReM 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 2020/21 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 our sponsor minister in the Welsh Government.

We currently have 12 remunerated Board members, led by our Chair, Sir David Henshaw, with 10 non-executive members and myself as an executive member of the Board. Professor Steve Ormerod is the appointed Deputy Chair of NRW and Julia Cherrett is the Senior Independent Director (SID). The role of SID was introduced to support the Chair 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 Chair and to ensure there is a clear division of responsibility between the Chair and Chief Executive. There was one change to our Board this year, which was the resignation of Mr Chris Blake from his role as a non-executive Director of the Board in February 2021.

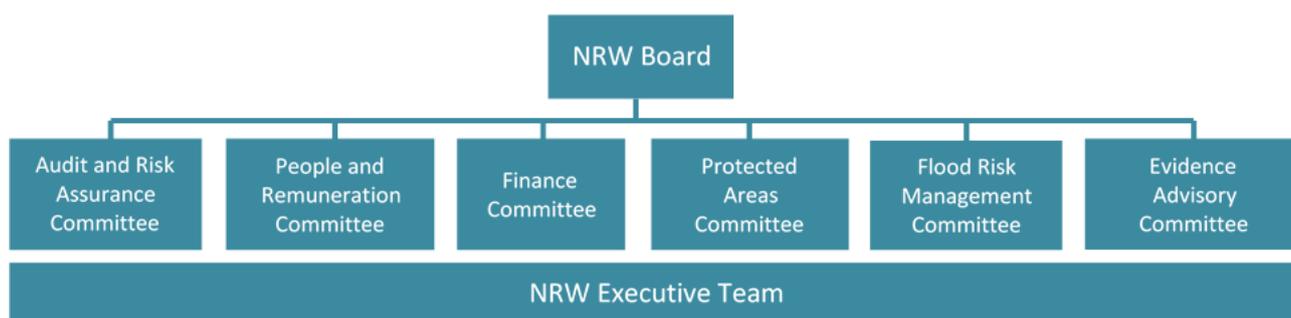
Following an external recruitment process, Colette Fletcher was appointed to the role of Head of Governance and Board Secretary from October 2020.

To carry out our duties, we meet as a full Board with additional scrutiny being undertaken by six committees. Our Executive Team (ET) provides strategic and operational updates to our Board and committees for scrutiny and decision as required.

Each committee is chaired by a Board member and, with the exception of the Evidence Advisory Committee (EAC), each includes at least three other non-executive Board members. Other non-executive Board members have an open invitation to attend committee meetings in a non-voting capacity. We do not have a Nominations Committee, as our non-executive Board 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	24 February 2021
Catherine Brown	1	1 November 2018	31 October 2022
Julia Cherrett	1*	1 November 2018	31 October 2025
Geraint Davies	1	1 January 2019	31 October 2024
Howard Davies	2	9 November 2015	31 August 2021
Dr 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 2024
Professor Peter Rigby	1*	1 November 2018	31 October 2023

* Where a subsequent term has been approved, it has been reflected in the 'Current end date' within the table.



Board Meetings

We held six two-day meetings and one development day this year – all were held virtually. Standing items on our agenda include: in-year finance; performance reporting; 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. NRW Executive Team, our Board and committees have continued to meet throughout Covid-19 lockdown virtually. Due to lockdown restrictions we have been unable to meet in public, but from September 2020 we have allowed the public to observe virtual meetings. The lack of face to face meetings has meant that the Board has not been able to move around the different regions of Wales as usual or 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 2020/21

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

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. The Chair of this Committee is Catherine Brown. The Chief Executive attends every meeting as NRW's Accounting Officer, along with our Executive Director of Finance and Corporate Services. Members of ET now attend the committee to discuss any limited assurance internal audit reports.

This year ARAC addressed a range of issues including:

- Oversight and Governance of Timber Sales
- Improvements to our risk management approach
- Internal Audit Plan 2020/21
- Annual Report and Accounts 2019/20 and plans for this report, 2020/21
- Senior Information Risk Owner report, including Cyber Resilience

Board member ARAC attendance 2020/21

Name	Number of meetings	Number of full meetings attended
Catherine Brown (Chair)	7	7
Karen Balmer	7	7
Dr Rosie Plummer	7	7
Professor Peter Rigby	7	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
- Wellbeing, Health and Safety and Serious Incident Reviews
- Scrutiny of proposed People Management policies
- Recruitment and the Recruitment Process
- Organisational Succession Planning

Board member PaRC attendance 2020/21

Name	Number of meetings	Number of full meetings attended
Zoe Henderson (Chair)	4	4
Karen Balmer	4	3
Howard Davies	4	2
Julia Cherrett	4	3

Finance Committee (formerly Finance, Planning and Performance Committee)

During 2020, the work of several Board sub-groups was incorporated into the Finance, Planning and Performance Committee (FPPC) and the name of the Committee has since been amended to the Finance Committee. 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 Committee focuses on strategic direction and development, however it also has a role in scrutinising performance and delivery. Following the resignation of Chris Blake as a Board member, Sir David Henshaw is acting as Interim Chair of the Committee until a new Chair is appointed.

This year the Committee considered the following:

- Monitoring in-year financial performance
- Review of 2019/20 delivery and performance
- Financial and Business Planning 2021/22
- Strategic Review of Charging
- Development of the Commercial Strategy
- Corporate Plan 2022-2027

Board member Finance Committee attendance 2020/21

Name	Number of meetings	Number of full meetings attended
Chris Blake (Chair, to February 2021)	7	6
Sir David Henshaw (Interim Chair, from February 2021)	1	1
Julia Cherrett	7	7

Name	Number of meetings	Number of full meetings attended
Dr Elizabeth Haywood	7	6
Dr Rosie Plummer	7	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 Board by providing advice on wider protected area issues and strategic casework, including landscape management, Designated Landscapes, and National Nature Reserves.

Board member PrAC attendance 2020/21

Name	Number of meetings	Number of full meetings attended
Howard Davies (Chair)	4	4
Geraint Davies	4	4
Dr Elizabeth Haywood	4	4
Professor Steve Ormerod	4	4
Dr Rosie Plummer	4	3

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 name was changed, to bring it in line with other Board Committees.

The Committee usually 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 2021/22.

Board member FRMC attendance 2020/21

Name	Number of meetings	Number of full meetings attended
Dr Elizabeth Haywood (Chair)	3	3
Chris Blake (to February 2021)	3	2
Julia Cherrett	3	3
Geraint Davies	3	2

Evidence Advisory Committee

The Evidence Advisory Committee (EAC) was established in 2020 to provide independent advice and challenge in relation to NRW’s evidence function. The Committee also helps to strengthen understanding in the wider research community, and with evidence users in government, of evidence processes and priorities.

The Committee comprises two non-executive members of the Board, seven independent external members, the Executive Director of Evidence, Policy & Permitting and the Head of Knowledge and Evidence.

At its inaugural meeting in December 2020, the Committee discussed areas including evidence governance within NRW, the work of the Knowledge and Evidence Department and that of the Integrated Evidence Group, and received presentations demonstrating the breadth of activities across the organisation around areas of public concern.

Board member EAC attendance 2020/21

Name	Number of meetings	Number of full meetings attended
Professor Peter Rigby (Chair)	1	1
Professor Steve Ormerod	1	1

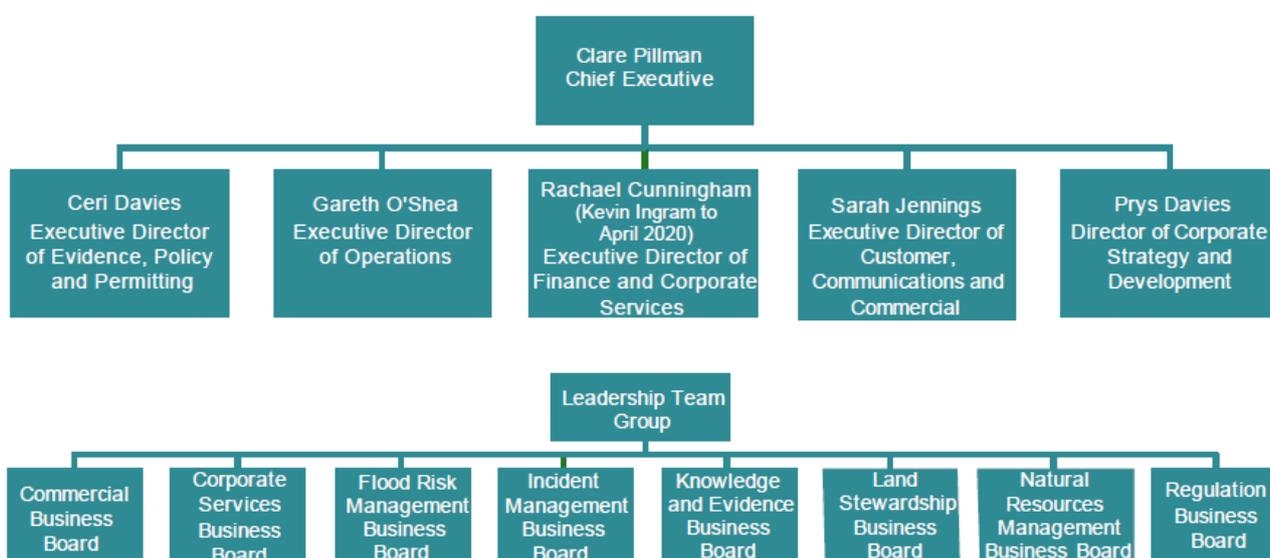
Board effectiveness

The Board had an externally facilitated session in October 2020, where they discussed progress made towards their agreed collective vision. They also shared what they had learned about their own leadership and the leadership of others through Covid.

A joint session, with Board and ET, has been deferred twice due to Covid restrictions because of the preference that the session should be held face to face.

Our Executive

Day-to-day management of our organisation is delivered through the ET, comprising myself as Chief Executive and five Executive Directors and Directors who report to me. ET meet twice each month to consider core corporate business, for example finance updates, performance information, wellbeing health and safety, the strategic risk register, etc. They also scrutinise and consider decisions concerning strategy, policy and operational issues.



Source NRW:Internal Governance Structure September 2020

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 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 the Head of Business / Head of Service.

We produce an annual business plan that outlines steps we will take towards meeting commitments in our longer-term Corporate Plan, which we have agreed with Welsh Government will be rolled on to 2023. The Business Plan includes corporate targets and outcomes that we monitor delivery against. Detailed Management Information is reviewed at Leadership Team Group meetings with a summary Business Plan Performance Dashboard being reviewed by ET before scrutiny by the NRW Board and Welsh Government on a quarterly basis.

COVID-19 has affected our ability to deliver on some objectives in the short term, for example we have had to rethink our approach to engagement with the community. 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. Following the recent elections to the Senedd, we will review the Interim Business Plan for 2021/22 in the light of the anticipated Budget and Remit letters from Welsh Government.

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 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 treated our response to Covid-19 as an incident and set up both Tactical and Strategic Incident Response Groups (TIRG and SIRG) with representatives from across NRW to manage the situation and provide the guidance and steer to the rest of the organisation. Through our Tactical IRG we set up 'cells' which linked through to all our business boards and other service areas to provide advice and guidance both internally to steer colleagues on what to do, and externally to our partners and customers on how we were managing the situation. We have used both the SIRG and TIRG to also consider our recovery work and decided to also include our management of the implications of EU Exit for us within this governance framework.

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 and current. The 'Managing our Money' and 'NRW Statutory and Legal Scheme' documents were both reviewed and approved by the Board during the last year. Where significant changes had been implemented new controls were identified, for example managers were asked to maintain ICT asset lists of additional items which were taken home to support increased and sustained working from home.

Risk Management

A robust risk management framework is an essential component in managing our business, protecting our resources and reputation. In 2020, we adopted an improved risk management framework and this year continued to embed that framework, with significant improvements in the management and reporting of risks, and we have had several meaningful discussions at the ET, Audit and Risk Assurance Committee and at other committees.

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 owns and monitors particular risks, scrutinised and challenged by the relevant Business Board, and our LTG examines cross-cutting issues and identifies any risks that should be escalated to the strategic risk register.

ARAC scrutinises and challenges the strategic risk register. 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. Other Board committees review relevant strategic risks. The Board has agreed Risk Appetite Statements for the majority of our strategic risks and conducts an annual review of our strategic risks.

Information assurance

We are committed to ensuring data and information is well governed and managed, and that we continue 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 cyber security online training.

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. We are aware that completion

rates for mandatory online learning are not currently at 100% (although they have improved significantly over recent months), and this will be a focus for next year. This year I was pleased that we have had no information breaches which were reportable to the Information Commissioners Office (ICO).

Number of cases reported to the Information Commissioner's Office (ICO)		
2020/21	2019/20	2018/19
0	0	1

Declaration of Interest

Our Managing Conflict of Interest policy and guidance supports all staff and Board members with our continuous process to declare relevant personal interests to help us manage any potential or perceived conflicts with their professional roles. Reviews by Internal Audit conducted over the last year have highlighted that significant improvements are required to our Conflict of Interest policy, procedures, training and reporting mechanisms. This work is underway and is due to conclude in September 2021.

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. Our framework includes access to an 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		
2020/21	2019/20	2018/19
0	2	0

Fraud

Our Counter Fraud Strategy is supported by a Counter Fraud, Bribery and Corruption Policy and a Fraud, Bribery and Corruption Response Procedure. We have mandatory annual online learning courses for staff on Anti-Fraud and Anti-Bribery and Corruption to help staff identify instances of fraud, bribery and corruption and to ensure staff are aware of their professional responsibilities. We are aware that completion rates for mandatory online learning are not currently at 100% (although they have improved significantly over recent months), and this will be a focus for next year.

We have received ten 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. All investigations have been managed either by an Accredited Counter Fraud Specialist or similarly qualified external investigators. The final report on each case is referred to independent senior staff.

Number of allegations reported		
2020/21	2019/20	2018/19
10	7	23

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.

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, LTG and in discussion with the Audit and Risk Assurance Committee.

Following the departure of the Internal Audit Manager in October 2020, as an interim solution pending the recruitment of the replacement, the two senior staff in the team have overseen delivery of the plan. We have recently appointed a new Head of Internal Audit, at Leadership level, who joined the organisation on 1st July 2021.

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 could 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 have been ratified by ARAC. As a result, the key reviews from 2020/21 plan have been delivered, with no material impact on the end of the year overall opinion.

Total number of audits 2020/21	Substantial Audit Rating	Moderate Assurance Rating	Limited Assurance Rating	Unsatisfactory Assurance Rating	In draft
18	1	11	5	0	1

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 Interim Internal Audit Manager(s), as set out in the annual assurance report, is as follows:

During 2020/21 NRW has faced the challenges posed by the Covid pandemic and successfully enacted its business continuity plans. Its investment in technology allowed for the business to quickly adapt to staff homeworking. Significant work has continued over the course of this year to improve the consistency and robustness of controls across the organisation, for example, it has progressed as intended in establishing a Programme Management Office.

The annual audit opinion is primarily informed by the delivery of the Internal Audit plan. This year we provided a limited assurance on three audit areas: Welsh Purchasing Card, Grants and Staff Performance Management. We have also provided an opinion of 'some progress' on two full follow up audits, where we had previously provided a 'limited' opinion; these were Timber Sales Contracts and Conflicts of Interest.

The audit coverage also included: Cyber Security, Information Asset Owners, Budget Management, Lone Working, Management of Colliery Spoil Tips, Risk Management, Internal Governance, Serious Incident Reviews, GPDR Compliance, Quality of Evidence Reports, Waste Regulation and Enforcement; all of which received 'moderate' assurance. An audit of Procurement under £25k received a 'substantial' assurance opinion. We have conducted one piece of consultancy work which was the IR35 Off Payroll, Working Process Review. As consultancy, this did not carry an assurance opinion.

We found continuing cultural issues in the Staff Performance Management audit, with poor performance going unchallenged and lack of compliance with the prescribed process when it was challenged. There was an absence of the second line of defence to monitor compliance and quality assure performance management.

Similar issues were identified within the Welsh Purchasing Card audit. At the time of the audit 39% of staff had a spending card and the annual spend was circa £2million. We found significant weaknesses in management oversight, that demonstrated a lack of understanding by managers of their duties. Also, following Organisational Design in 2019/20, reduced resources resulted in the compliance checks by the second line of defence not being conducted.

For the Grants audit, it highlighted that while NRW had recognised that it did not have the correct staffing structure and expertise to support delivery of its grant programme early in 2020/21, progress on implementing the new structure has been slow. It has been somewhat mitigated by the temporary recruitment of financial expertise, but the grant programme remained significantly under-resourced. A common issue through the audit was the need to strengthen evidencing of decisions and audit trails for activities, which is a re-occurring theme for NRW. The audit also identified weaknesses in the segregation of duties and the management of conflict of interests (both internal and external). While the audit acknowledged that controls have been designed to be proportionate, further work is needed to develop a more rounded risk criteria which demonstrably links to the grants processes to be followed.

For the Management of Colliery Spoil Tips, while we provided a 'moderate' assurance opinion due to the controls and oversight that were being implemented, it again demonstrated that prior to the Flood events of February 2020 there had been an absence of management oversight. We also found poor audit trails being retained to evidence that NRW had discharged its responsibilities. The 'moderate' audit of Lone Working similarly evidenced a lack of management oversight to verify that the right people are using the right tools to safely work alone.

Our follow-up of both Timber Sales Contracts and Conflict of Interest found that while actions had been taken to address recommendations, issues remained with compliance and oversight. The Conflict of Interest audit again highlighted that progress had been impacted by a recognised lack of resources in the Governance Team, which is still being resolved. We are working with Management on the need for action owners to ensure that any changes made are working as intended, embedded and risks have been mitigated, prior to reporting recommendations as complete.

In addition, progress on dealing with significant long-standing weaknesses in the effective application of contract management from a procurement perspective has been slow and a decision is still required on resource to drive through improvements, at the time of writing.

NRW itself recognises that its residual risk for Strategic Risk 07 – Compliance remains high, with the impact ‘major’ and the likelihood ‘probable’, with the causes being potentially due to lack of understanding of policies and processes, the culture of optimism bias, failure to learn lessons and weak second line of defence functions.

This risk is, in part, being addressed by the establishment of the Three Lines of Defence Working Group, which seeks to build on the work already done as part of the Governance & Risk Improvement Plan (GRIP) to deal with poor governance and compliance. This is a positive move and as the work of this group and other groups progresses, it should result in improvements in the control, governance and risk management environment in future years.

Internal Audit have been invited to sit as observers on this group which supports the improved working relationship with management and the increased value placed on the work done by Internal Audit. We now provide regular updates to the Leadership Team Group and Executive Team on progress against the plan and any upcoming issues. Going forward a new approach will be adopted for sharing learning from audits across the organisation.

In conclusion, our professional evaluation of internal controls, governance and risk management has led us to conclude that that in 2020/21 there remains significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective. We can therefore offer a limited overall assurance opinion for the past 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.

Following our publication of Grant Thornton’s independent review of our timber sales operations and its sharing with the Senedd Cymru’s Public Accounts Committee (PAC), work is progressing to embed changes and improvements into business as usual across the organisation. During 2020-21 we received income totalling £0.1million (£2.6million in 2019-20) in respect of the standing sales plus timber contracts. We are continuing to embed changes and improvements in our timber sales operations, led by our Executive Director of Communications, Customer and Commercial. This work is overseen by the Finance Committee and progress is reported to the Audit and Risk Assurance Committee.

Effectiveness of internal controls

To provide additional assurance that these controls are in place and working well within NRW, members of ET and Chairs of Business Boards 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/Business Board. This year we achieved a 100% return rate of the checklists and certificates, although the level of detail varied between submissions. We have completely reviewed the process for the coming year to improve consistency of detail and to gain information from a wider range of staff within NRW when completing the returns.

Overall, this year's results have shown an improvement on the previous year, although there is still a lot of work to be done. There is a sense from the returns that the Organisation is comfortable with its strategic corporate priorities and business objectives and that policies and procedures continue to be revised as necessary to adapt to external changes or internal gaps identified. Regular leadership meetings allow for an opportunity to disseminate and discuss corporate issues, progress, and future planning. However, it is acknowledged that further improvements need to be made in internal processes and monitoring, and the Organisation is making changes to various processes to strengthen the controls.

The biggest area of concern highlighted in the internal control checklists was the capacity of staff to deliver their workload in a way that enables us to remain fully compliant and manage our controls effectively. This will be a major priority for the coming year as we seek to address the challenges created by an inconsistent understanding of compliance requirements, and to create the time and space that our staff and managers need to undertake their compliance activities. Another major challenge for the coming year will be to improve the monitoring of our compliance and to enhance the early warning indicators available for compliance issues. To address this, we are currently reviewing our performance management information and exploring an enhanced consultancy function to complement Internal Audit.

A large proportion of NRW staff have been home-based due to the pandemic. Our ICT capability has served us well, with most staff having ready access to virtual meetings etc., and we have been able to continue to run the formal governance meetings throughout. Staff have been encouraged to complete the necessary safety training, familiarise themselves with the appropriate policies and complete the relevant e-learning packages. However, it has been noted that, due to changing priorities over the pandemic, some areas of the Organisation struggled to complete all e-learning and mandatory training, which should be a focus for the coming year.

There has been a significant improvement in the effectiveness of the risk management framework now being used more consistently across the organisation. Risks and mitigations are being effectively identified. Organisation-wide, risk management is now recognised and discussed more frequently and widely, including at Business Boards, and issues are escalated when appropriate to LTG, ET and the Board. However, there is still more work to be done to ensure NRW becomes a risk mature organisation. The focus for the coming year will be on improving consistency of risk scoring across the organisation

and ensuring that there is appropriate escalation of risk to ensure challenge is undertaken at the right level.

Although Covid-19 has presented many challenges and a testing environment, the Organisation has been able to stay engaged with its staff and overcome a number of obstacles. By providing regular updates, frequent virtual team meetings, and written communications, we have been able to share information and example role-model behaviours across NRW and adapt our ways of engagement with employees. Wellbeing, health and safety remains a priority. However, we anticipate that the coming year will be extremely challenging, and we will continue to adapt and refine our assurance framework to ensure we are able to respond appropriately and have the necessary internal controls in place for the rapidly evolving environment.

A handwritten signature in black ink, appearing to read 'Clare Pillman', with a horizontal line underneath.

Clare Pillman
Chief Executive and Accounting Officer

13 July 2021

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 agreed 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 1 year pay deal for the period 1 July 2020 to 30 June 2021 of 2.5%. 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 NRW's sponsor minister in the Welsh Government.

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

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

Salary and pension entitlements

The following sections provide details of the remuneration of members of the Board and the remuneration and pension interests of members of the Executive Team. Board members are not entitled to join the Civil Service Pension Scheme or 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.

Board members' remuneration

Board Member	Employment Contract	Salary 2020/21 (£5,000 range)	Salary 2019/20 (£5,000 range)
Karen Balmer	9-11-15 to 8-11-22	10-15	10-15
Chris Blake ²	9-11-15 to 24-2-21	10-15	10-15
Catherine Brown ³	1-11-18 to 31-10-22	15-20	15-20
Julia Cherrett ¹	1-11-18 to 31-10-25	10-15	10-15
Geraint Davies	1-1-19 to 31-10-24	10-15	10-15
Howard Davies	9-11-15 to 31-08-21	10-15	10-15
Elizabeth Haywood	9-11-15 to 31-08-21	10-15	10-15
Sir David Henshaw (Chair) ⁴	1-11-18 to 31-10-23	45-50	45-50
Zoë Henderson ⁵	9-11-15 to 8-11-22	15-20	15-20
Steve Ormerod (Deputy Chair) ⁶	1-11-18 to 31-10-22	15-20	15-20
Rosie Plummer ¹	1-11-18 to 31-10-24	10-15	10-15
Peter Rigby ¹	1-11-18 to 31-10-23	10-15	10-15

¹ The terms of these Board members have been extended.

² Chris Blake resigned as NRW board member with effect from 24 February 2021.

³ Catherine Brown is chair of the Audit and Risk Assurance Committee (ARAC).

⁴ Sir David Henshaw is chair of the Board.

⁵ Zoë Henderson is chair of the People and Remuneration Committee (PaRC).

⁶ Steve Ormerod is deputy chair of the Board.

Executive Team's remuneration

Executive Team Member	Salary		Benefits in kind		Pension benefits ⁸		Total	
	(£5,000 range)		(nearest £100)		(nearest £1,000)		(£5,000 range)	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Clare Pillman ¹ (Chief Executive)	140-145	140-145	0	0	49,000	112,000	185-190	250-255
Rachael Cunningham ²	65-70	0	0	0	71,000	0	135-140	0
Ceri Davies	105-110	105-110	0	0	62,000	33,000	170-175	135-140
Prys Davies	85-90	85-90	0	0	31,000	59,000	115-120	140-145
Kevin Ingram ³	5-10	95-100	0	0	16,000	36,000	20-25	120-125
Sarah Jennings ⁴	65-70	0	0	0	27,000	0	95-100	0
Tim Jones ⁵	0	50-55	0	0	0	7,000	0	55-60
Catherine Love ⁶	0	10-15	0	0	0	5,000	0	15-20
Gareth O'Shea	95-100	95-100	0	0	44,000	32,000	140-145	125-130
Niall Reynolds ⁷	0	5-10	0	0	0	0	0	5-10

¹ Clare Pillman received a pay award in 2019/20 which increased her accrued pension benefits as disclosed in the table above. The actual employer pension contribution was 30.3% of her salary.

² Rachael Cunningham was appointed as Executive Director of Finance and Corporate Services on 7 September 2020. Her full year equivalent salary for 2020/21 is £115,000 to £120,000. The pension benefits calculation has taken into consideration Rachael Cunningham's change of employer during the year. The actual employer pension contribution was 30.3% of her salary.

³ Kevin Ingram finished on 9 April 2020. His full year equivalent salary for 20/21 was £95,000 to £100,000.

⁴ Sarah Jennings was appointed as Executive Director of Communications, Customer and Commercial on 7 September 2020. Her full year equivalent salary for 2020/21 is £120,000 to £125,000.

⁵ Tim Jones' employment as director finished on 10 October 2019. His full year equivalent salary as director for 2019/20 was £90,000 to £95,000. He was employed again during 2020/21 under a new contract on a fixed term and was paid £5,000 to £10,000. The new contract was to provide incident and emergency support during the COVID-19 crisis. He did not have director responsibilities, nor received any pension benefits during 2020/21.

⁶ Catherine Love finished on 31 May 2019. Her full year equivalent salary for 2019/20 was £75,000 to £80,000.

⁷ Niall Reynolds' employment as director finished on 30 April 2019. His full year equivalent salary as director for 2019/20 was £75,000 to £80,000. He opted out of the pension scheme with effect from 30 March 2019 so did not build up any pension benefits during 2019/20. He was employed again during 2020/21 under a new contract on a fixed term and was paid £5,000 to £10,000. The new contract was to provide incident and emergency support during the COVID-19 crisis. He did not have director responsibilities, nor received any pension benefits during 2020/21.

⁸ 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 changes 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.

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

Movement between the pay points is subject to performance being assessed as 'Outstanding' by the Chief Executive and moderation 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 & Customs as a taxable emolument. None of the Board members or Executive Team received benefits in kind during 2020/21 and 2019/20.

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

Pension benefits

Executive Team member	Accrued Pension at pension age as at 31/03/21 £000	Accrued Lump Sum at pension age as at 31/03/21 £000	Real Increase in pension at pension age £000	Real Increase in Accrued Lump Sum at pension age £000	CETV at 31/03/21 £000	CETV at 31/03/20 £000	Real Increase in CETV £000
Clare Pillman (Chief Executive)	55-60	135-140	2.5-5	0	1,187	1,115	29
Rachael Cunningham ¹	30-35	0	2.5-5	0	436	371	49
Ceri Davies	50-55	70-75	2.5-5	0-2.5	958	876	46
Prys Davies	25-30	50-55	0-2.5	0	459	425	15
Kevin Ingram ²	35-40	45-50	0-2.5	2-2.5	603	579	18
Sarah Jennings ¹	0-5	0	0-2.5	0	21	0	16
Gareth O'Shea	50-55	80-85	2.5-5	0-2.5	912	849	27

¹ From 7 September 2020.

² To 9 April 2020.

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

No compensation for loss of office was agreed during 2020/21.

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 2020/21, 6 contract staff (2019/20: 3) were charged at a rate in excess of the highest-paid director. The banded remuneration of the highest paid Director in the financial year 2020/21 was £140,000 to £145,000 (2019/20: £140,000 to £145,000). This was 4 times (2019/20: 4 times) the median remuneration of the workforce which was £35,288 (2019/20: £35,503). Staff pay scales range from £18,391 to £68,696. Directors' remuneration is shown in the table above.

Staff report

This report provides information on the composition and costs of our workforce. Included in the staff tables below are directly employed staff (permanent employees, fixed-term appointments, apprentices) as well as other staff (agency, contractors, secondees).

Number of staff by headcount and full time equivalent (FTE) at 31 March 2021

	Male		Female		Total	
	Headcount	FTE	Headcount	FTE	Headcount	FTE
All employees	1,366	1,338	1,086	1,009	2,452	2,347
of which:						
Leadership Team	10	10	13	12.5	23	22.5
Executive Team	2	2	4	4	6	6

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

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

Average number of full-time equivalent persons employed during the year was:

	2020/21			2019/20
	Permanent Staff	Others	Total	Total
Directly employed	1,986	84	2,070	1,839
Agency and contract staff	0	161	161	168
Total	1,986	245	2,231	2,007

The average full-time equivalent number of staff employed on capital projects was 237.1 (2019/20: 178.9).

Staff turnover

Staff turnover during 2020/21 was 3.79%.

Staff costs

	2020/21			2019/20
	Permanent staff	Other staff	Total	Total
	£'000	£'000	£'000	£'000
Wages and salaries	70,812	16,526	87,338	77,605
Social security costs and other taxation	7,488	601	8,089	7,295
Other pension costs	13,344	556	13,900	21,267
Total net salary costs	91,644	17,683	109,327	106,167
Other expenditure for staff		Note		
Exit package costs			204	1,470
IAS 19 (pensions) service charge		14	9,191	12,513
Less early retirement pension costs			(88)	(260)
Less in-year LGPS pension contributions			(1,948)	(11,699)
Transfer to provision for Annual Compensation Payments			0	39
Movement in accrued holiday pay			942	(59)
Total other expenditure for staff			8,301	2,004
Less amounts charged to capital projects			(11,130)	(7,919)
Total staff costs			<u>106,498</u>	<u>100,252</u>

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 £10.3 million of expenditure on consultants (2019/20 £7.7 million).

Pension schemes

Natural Resources Wales is a member of two pension schemes. The Principal Civil Service Pension Scheme (PCSPS) 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 PCSPS and the Civil Servant and Other Pension Scheme (CSOPS) - known as "Alpha" - are unfunded multi-employer defined benefit schemes, but the schemes do not identify individual organisations' share of the underlying assets and liabilities. The scheme

actuary valued the PCSPS as at 31 March 2016. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation at www.civilservicepensionscheme.org.uk/about-us/resource-accounts/

For 2020/21, employer's contributions of £11,846k were payable to the PCSPS (2019/20: £9,472k) at one of four rates in the range 26.6% to 30.3% of pensionable earnings (for 2019/20 26.6% to 30.3%), 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 2020/21 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 £137k (2019/20: £97k) were paid to the appointed stakeholder pension provider. 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 £5k, 0.5% of pensionable pay (2019/20 £4k), 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 2020/21 the employer's contribution rate was 23.08% (2019/20: 23.9%). In 2020/21 employer's contributions of £1,948k were paid to the LGPS (2019/20: £11,699k) which included an additional payment to reduce the balance on the IAS 19 pension fund. Additionally, £88k of early retirement strain costs were paid as part of exit packages.

Exit packages

The total number of exit packages by cost band:	2020/21	2019/20
Under £10,000	1	3
£10,001 - £25,000	3	7
£25,001 - £50,000	0	6
£50,001 - £100,000	2	15
£100,001 - £150,000	0	0
Total	6	31
Resource cost	£204,000	£1,470,000

There were no compulsory redundancies in 2020/21 or 2019/20.

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 2020/21. Exit costs of £252k were actually paid in 2020/21, the year of departure. This amount includes £9k additional payments for 7 packages disclosed 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).

Sickness absence (not subject to audit)

Our sickness absence rate for the rolling year (1 April 2020 to 31 March 2021) showed an average of 4.9 days lost per employee and equates to 2.2%.

Disability Policies (not subject to audit)

Disability Confident Employer

On 26 April 2021, we successfully completed our self-assessment exercise and as a result, The Department for Work and Pensions has re-accredited NRW as a Disability Confident Employer until 22 April 2024.



'Two Ticks' guaranteed Interview Scheme

During the 2020 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 3,554 people of which 59 (1.66%) people requested a guaranteed interview. Internally we received applications from 312 people of which 4 (1.28%) people requested a guaranteed interview.

Staff Networks (not subject to audit)

Staff Networks are run by staff for staff and bring together people from all areas of the workplace who identify with others from a similar background or group. The Networks fulfil various functions, including providing opportunities for social interaction, peer support and personal development. They can also contribute to the development of our policies and working practices.

We recognise the value of self-organised groups in creating an environment that respects the diversity of staff and enables them to get the maximum benefit and enjoyment from their involvement in the workplace.

We aim to support these networks by:

- Encouraging managers to release employees to participate in them;
- Promoting the Networks to new and existing employees;
- Listening constructively to any employee concerns raised through the staff networks;
- Taking part in initiatives developed by the staff network.

We currently have 7 staff networks as follows:

- Assisted User Groups (ICT and Telephony)
- Calon LGBT+
- Christian Fellowship
- Cwtch (Carers Network)
- Dementia Friends
- Muslim Network
- Neurodiversity

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

Despite lockdown, over 140 staff have become new dementia friends in NRW between March and December 2020, with NRW running virtual sessions linked to both our new starter induction programme and our #TeamNRW staff webinars. All of our new starters attend a virtual dementia friend session during their first few months with us.

Two sessions have been run on Dementia Friends Awareness and a short session about NRW's journey to becoming a Dementia Friendly Community, the resources that are available to staff and the expectations we have of them to be 'Dementia Friendly' in their work.

There are now 5 accredited NRW Dementia Champions who can deliver information sessions either face to face or using the new virtual format. Dementia Friends work continues to be represented at our Equality, Diversity and Inclusion Forum meetings and a 'caring for elders' virtual cuppa formed part of our recent Cwtch network week of events.

Other employee matters (not subject to audit)

During 2020/21 we finalised, in partnership with the Trade Unions, our 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 off-payroll working rules were designed to ensure that if someone works through an intermediary and would have been regarded, for income tax and national insurance contributions purposes, as an employee if they were

directly engaged by the client (NRW), they pay broadly the same income tax and national insurance contributions as if they were employed. These rules do not apply to people who are genuinely self-employed.

It is the responsibility of the client (NRW) to undertake the assessment for tax purposes as opposed to the intermediary. If the determination of the assessment is that the role is inside scope of IR35, the intermediary will pay the same employee tax as a pay-rolled employee.

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

Off-payroll engagements as of 31 March 2021, for more than £245 per day and that last for longer than six months

Number of existing engagements at 31 March 2021 that have existed for:	Number of contractors
less than one year	12
between one and two years	43
between two and three years	19
between three and four years	10
four or more years	20
Total	104

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 2020 and 31 March 2021, for more than £245 per day and that last for longer than six months

	Number of contractors
The number of new engagements, or those that reached six months in duration, between 1 April 2020 and 31 March 2021.	104
of which:	
The number assessed as caught by IR35	0
The number assessed as not caught by IR35	104
The number engaged directly and are on the NRW payroll	0
The number of engagements reassessed for consistency / assurance purposes during the year.	88
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 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 during 2020/21.

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	2020/21 Number	2020/21 £'000	2019/20 Number	2019/20 £'000
Write-off of irrecoverable debts	0	0	16	23
Loss of assets	15	18	14	294
Other losses (cash losses, fruitless payments, unenforceable claims, or gifts)	34	104	10	6
Special payments	5	17	2	2
Total	54	139	42	325

In addition to the above, there was a re-classification of capital expenditure which resulted in a reduction to intangible software development of £451k now being recognised as revenue expenditure, as described in note 5 to the accounts.



Clare Pillman
Chief Executive and Accounting Officer

13 July 2021

The Certificate and independent auditor's report of the Auditor General for Wales to the Senedd

Opinion on financial statements

I certify that I have audited the financial statements of Natural Resources Wales for the year ended 31 March 2021 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 international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual.

In my opinion the financial statements:

- give a true and fair view of the state of Natural Resources Wales' affairs as at 31 March 2021 and of its net operating costs for the year then ended;
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual; and
- have been properly prepared in accordance with Welsh Ministers' directions issued under the Natural Resources Body for Wales (Establishment) Order 2012.

Opinion on regularity

In my opinion, 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 of opinions

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. 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 opinions.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and other parts of the report that are audited and my auditor's report thereon. 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. 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. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Report on other requirements

Opinion on other matters

As 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, I am not able to confirm that the Annual Report has been prepared in accordance with guidance. In my opinion, based on the work undertaken in the course of my audit, the information given in the Annual Report is consistent with the financial statements.

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 properly prepared in accordance with HM Treasury 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 the 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 or returns adequate for my audit have not been received from branches not visited by my team;
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records and returns;
- information specified by Welsh Ministers regarding remuneration and other transactions is not disclosed; or
- I have not 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management, and those charged with governance, including obtaining and reviewing supporting documentation relating to Natural Resources Wales' policies and procedures concerned with:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud.
- Obtaining an understanding of Natural Resources Wales' framework of authority as well as other legal and regulatory frameworks that the Natural Resources Wales operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Natural Resources Wales.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit and Risk Assurance Committee about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and
- evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Natural Resources Wales controls and the nature, timing and extent of the audit procedures performed.

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.

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.

Report

I have no observations to make on these financial statements.



Adrian Crompton
Auditor General for Wales
14 July 2021

24 Cathedral Road
Cardiff
CF11 9LJ

FINANCIAL STATEMENTS
and
NOTES TO THE ACCOUNTS

for 2020/21

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2021

	Note	2020/21 £'000	Restated 2019/20 £'000
Staff costs	3	106,498	100,252
Capital works expensed in year	4	19,657	11,751
Other expenditure	5	98,788	95,139
Total operating expenditure		224,943	207,142
Charge income	6	(36,721)	(38,223)
Commercial and other income	6	(39,467)	(34,333)
European and other external funding	6	(2,218)	(1,141)
Total operating income		(78,406)	(73,697)
Net operating expenditure before gain on revaluation of biological financial assets		146,537	133,445
Gain on revaluation of biological assets	7.1	(231,689)	(17,693)
Gain on revaluation of financial assets		(8,607)	(859)
Net expenditure for the year after gain on revaluation of biological and financial assets		(93,759)	114,893
Financing on pension scheme assets and liabilities	14.2.5	117	1,369
Net (gain)/loss on revaluation		18	(108)
(Deficit)/Surplus for the year		(93,624)	116,154
Other comprehensive net expenditure			
Pension actuarial remeasurements	14.2.5	97,861	(56,500)
Gain on revaluation of property, plant and equipment		(637,477)	(200,906)
Total comprehensive net expenditure for the year		(633,240)	(141,252)

The comparative figures were re-stated to recognise the gain on revaluation of property, plant and equipment under Other comprehensive net expenditure. The gain on revaluation of biological and financial assets is now shown before Net expenditure for the year after gain on revaluation.

The notes on pages 61 to 98 form part of these accounts.

Statement of Financial Position

As at 31 March 2021

		31 March 2021	31 March 2020
	Note	£'000	£'000
Non-current assets			
Property plant and equipment	7.1	1,688,090	1,066,515
Heritage assets	7.1	7,403	7,099
Biological assets	7.1	360,940	135,744
Intangible assets	7.2	27,308	22,049
Financial assets	9	14,128	5,521
Long term receivables	10	3,342	3,982
Total non-current assets		<u>2,101,211</u>	<u>1,240,910</u>
Current assets			
Assets held for sale		703	1,133
Inventories		2,082	1,295
Trade and other receivables	10	19,456	16,111
Cash and cash equivalents	11	7,855	25,101
Total current assets		<u>30,096</u>	<u>43,640</u>
Total assets		<u>2,131,307</u>	<u>1,284,550</u>
Current liabilities			
Trade and other payables	12	(32,026)	(27,904)
Provisions	13	(73)	(412)
Total current liabilities		<u>(32,099)</u>	<u>(28,316)</u>
Assets less current liabilities		<u>2,099,208</u>	<u>1,256,234</u>
Non-current liabilities			
Pension liabilities	14.2.5	(106,644)	(1,511)
Financial liabilities	8	(39,897)	(39,942)
Long term payables	12	(4,055)	(4,722)
Total non-current liabilities		<u>(150,596)</u>	<u>(46,175)</u>
Assets less liabilities		<u>1,948,612</u>	<u>1,210,059</u>
Taxpayers' equity and other reserves			
General fund	SoCTE	459,285	234,407
Revaluation reserve	SoCTE	1,595,971	977,163
Pensions reserve	SoCTE	(106,644)	(1,511)
Total taxpayers' equity		<u>1,948,612</u>	<u>1,210,059</u>

The notes on pages 61 to 98 form part of these accounts.



Clare Pillman
Chief Executive and Accounting Officer

Date: 13 July 2021

Statement of Cash Flows

For the year ended 31 March 2021

	Note	2020/21 £'000	2019/20 £'000
Cash flows from operating activities			
Net operating expenditure	SoCNE	(146,537)	(133,445)
Adjustment for non-cash transactions		39,053	26,868
Movement in trade and other receivables	10	(2,705)	(1,835)
Movement in trade and other payables	12	3,455	4,977
Movement in financial liabilities	SoFP	(45)	0
Movement in provisions	SoFP	(339)	(54)
Net cash flow from operating activities		<u>(107,118)</u>	<u>(103,489)</u>
Cash flows from investing activities			
Purchase of tangible assets	7.1	(7,344)	(3,411)
Purchase of intangible assets	7.2	(8,827)	(7,508)
Proceeds on disposal of property, plant and equipment		730	436
Net cash flow from investing activities		<u>(15,441)</u>	<u>(10,483)</u>
Cash flows from financing activities			
Grants from Welsh Government	SoCTE	105,313	90,048
Net Financing		<u>105,313</u>	<u>90,048</u>
Net increase/(decrease) in cash and cash equivalents in the period		(17,246)	(23,924)
Cash and cash equivalents at the beginning of the period		<u>25,101</u>	<u>49,025</u>
Cash and cash equivalents at the end of the period	11	<u><u>7,855</u></u>	<u><u>25,101</u></u>

The notes on pages 61 to 98 form part of these accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2021

	General Fund £'000	Revaluation Reserve £'000	Pension Reserve £'000	Total £'000
Opening balance	234,407	977,163	(1,511)	1,210,059
Comprehensive net expenditure for year	633,240	0	0	633,240
In-year movement				
Revaluation of Property, Plant and Equipment	(637,477)	637,477	0	0
Realised revaluation	18,669	(18,669)	0	0
Actuarial movement on pension scheme	97,861	0	(97,861)	0
Increase in pension liability	7,272	0	(7,272)	0
Total in-year movement	(513,675)	618,808	(105,133)	0
Funding				
Grants from Welsh Government	105,313	0	0	105,313
Balance at 31 March 2021	459,285	1,595,971	(106,644)	1,948,612

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.

Comparative figures for the year ended 31 March 2020 (Restated)

	General Fund £'000	Revaluation Reserve £'000	Pension Reserve £'000	Total £'000
Opening Balance	242,669	792,178	(56,088)	978,759
Comprehensive net expenditure for year (Restated)	141,252	0	0	141,252
In-year movement				
Revaluation of Property, Plant and Equipment	(200,906)	200,906	0	0
Realised revaluation	15,921	(15,921)	0	0
Actuarial movement on pension scheme	(56,500)	0	56,500	0
Increase in pension liability	1,923	0	(1,923)	0
Total in-year movement	(239,562)	184,985	54,577	0
Funding				
Grants from Welsh Government	90,048	0	0	90,048
Balance at 31 March 2020	234,407	977,163	(1,511)	1,210,059

The comprehensive net expenditure for the year was re-stated to include the gain on revaluation of property, plant and equipment of £200,906k. This value is shown as a transfer from the General Fund to Revaluation Reserve within the in-year movements.

Note 1 Accounting policies

1.1 Requirement to prepare accounts

The financial statements have been prepared in accordance with the 2020/21 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 in line with our policies to account for the revaluation of property, plant and equipment, biological, intangible and financial 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. They 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 thirteen 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 15 February of the financial year preceding the year to which they relate.

The drainage rates, special levies and precepts for 2020/21 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

There were no changes in accounting policies during the year ended 31st March 2021.

Changes in accounting estimates

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.

It has been decided to establish a rolling programme for full Quinquennial Valuations (See Note 7). In between full valuations, assets are subject to an annual interim valuation. For 2020/21, these valuations were provided by the relevant firms of Chartered Surveyors or by internal valuers. The valuations for these assets were also undertaken in line with the requirements of the RICS Red Book as referred to above.

Where no valuation has taken place, indexation rates are applied, which in conjunction with our valuers there has been a change in relation to operational structures, from BCIS Building indices to the Office of National Statistics (ONS) Construction Output Price Indices (OPI's) – Infrastructure. This index is thought to be more relevant to the type of assets contained within this category. The index has been applied to the asset values at the 1 April 2020, these assets are:

- Boreholes
- Gauging Stations
- Locks and Weirs
- Pumping Stations
- Sea and River Structures
- Sluices
- Fish Passes
- Other Operational Assets

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 2022. 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.

The Government Financial Reporting Advisory Board (FRAB) receives multiple updates from HM Treasury on the work ongoing to implement IFRS 17. FRAB was informed of discussions ongoing as part of the Technical Working Group for IFRS 17 implementation including attempting to fully understand and outline the scope of IFRS 17. FRAB is keen to fully understand the scope of and impact this standard will have on the public sector especially as this will be the first standard adopted in the UK following the UK withdrawal from the EU. FRAB will therefore continue to work alongside the relevant authorities and the technical working group to ensure an effective implementation of IFRS 17. We will continue to keep the developments and potential impact under review.

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.

2. Analysis of net operating expenditure by segment

For the year ended 31 March 2021

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 Commercial	Corporate Strategy and Development	Centrally Controlled	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reported by segments							
Operating expenditure	7,730	94,851	56,300	17,433	8,081	40,548	224,943
Operating income	(37,150)	(35,706)	(1,462)	(4,004)	(84)	0	(78,406)
Total	(29,420)	59,145	54,838	13,429	7,997	40,548	146,537
Capital expenditure	11,147	4,160	864	0	0	0	16,171

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 Commercial	Corporate Strategy and Development	Centrally Controlled	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reported by segments							
Fees and charges	36,526	119	72	0	4	0	36,721
Commercial	623	33,932	828	4,004	80	0	39,467
European and other external funding	1	1,655	562	0	0	0	2,218
Total	37,150	35,706	1,462	4,004	84	0	78,406
Reported by segments							
Government	1,263	3,009	353	0	66	0	4,691
Non-Government	35,887	32,697	1,109	4,004	18	0	73,715
Total	37,150	35,706	1,462	4,004	84	0	78,406

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.
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 Natural Resources Wales' 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 Natural Resources Wales 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.
Customer Communications and Commercial	External relations, communications and customer contact centre. In 2020/21 this directorate also took on responsibility for commercial services and procurement support which were previously included within Finance and Corporate Services.
Corporate Strategy and Development	The Corporate Strategy and Development Directorate leads a number of Natural Resources Wales' 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 Natural Resources Wales 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.

Comparative figures for the year ended 31 March 2020

	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
Reported by segments							
Operating expenditure	40,029	87,803	44,897	2,311	4,847	27,255	207,142
Operating income	(42,064)	(31,061)	(528)	0	(44)	0	(73,697)
Total	(2,035)	56,742	44,369	2,311	4,803	27,255	133,445
Capital expenditure	5,138	1,028	6,420	0	0	0	12,586

3. Staff costs

Further details of staff costs and numbers are now disclosed from page 43 within the Remuneration and Staff Report.

	2020/21			2019/20
	Permanent Staff £'000	Other Staff £'000	Total £'000	Total £'000
Wages and salaries	70,812	16,526	87,338	77,605
Social security & other taxation costs	7,488	601	8,089	7,295
Other pension costs	13,344	556	13,900	21,267
Total net salary costs	91,644	17,683	109,327	106,167
Other expenditure for staff			8,301	2,004
Less amounts charged to capital projects			(11,130)	(7,919)
Total staff costs			106,498	100,252

4. Capital works expensed in year

Categories	2020/21	2019/20	31 March 2021	31 March 2020
	Actual £'000	Actual £'000	Committed £'000	Committed £'000
Operational work	16,609	10,709	6,722	9,036
Capital grants	3,048	1,042	111	54
Total	19,657	11,751	6,833	9,090

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. Detailed design of water treatment systems to prevent water pollution from mines. Feasibility studies, construction and development of adits around the mines to divert the water away from the mines.

Works which improve the conservation status of land not under the direct control of Natural Resources Wales. This includes improving Priority 1 planted ancient woodland sites and new trails constructed for public use.

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

	2020/21 £'000	2019/20 £'000
Cash items		
Bought in services	19,680	20,058
Reservoir operating agreements	9,591	9,456
ICT costs	6,398	6,538
Forest roads network maintenance	4,718	3,227
Materials and equipment	4,396	4,044
Office running costs	3,781	4,108
Fleet costs	3,579	3,639
Collaborative agreements	2,654	1,727
Grants	2,631	2,713
Service level agreements	2,289	2,470
Staff related costs	2,199	2,443
Rents	1,969	2,056
Fees and court costs	1,681	1,445
Rates	823	978
Operational costs	562	612
Travel and subsistence	227	1,290
Statutory audit fees	188	177
European grants	167	105
Losses and special payments	121	2
Sub-total	67,654	67,088
Non-cash expenditure		
Value of sold timber	22,824	18,117
Depreciation, amortisation and impairment	8,855	8,177
Derecognition of intangible software asset	451	0
Losses	18	174
Movement on expected credit loss	199	254
(Gain) / Loss on disposal	(250)	203
Movement on other provisions	(327)	(651)
Movement on reservoir repair costs	(636)	1,777
Sub-total	31,134	28,051
Total	98,788	95,139

Details of write-offs, losses and special payments are shown in the Parliamentary and Audit Report on page 50.

Intangible ICT development costs of £451k have been de-recognised during the year.

6. Income analysis

For the year ended 31 March 2021

	2020/21 £'000	2019/20 £'000
Abstraction charges	18,795	21,122
Environmental permitting regulations: water quality	6,917	6,242
Environmental permitting regulations: installations	3,346	3,139
Environmental permitting regulations: waste	2,405	2,156
Other environmental protection charges	1,506	1,350
Fishing licences	1,166	1,107
Nuclear regulation	474	1,142
Hazardous waste	929	842
Water resources rechargeable works	671	658
Marine licensing	299	224
Emissions trading	213	241
Charge Income	36,721	38,223
Timber income	30,561	25,198
Renewable energy income ¹ .	3,976	3,997
Internal drainage district income	1,630	1,607
Income from estates	1,448	2,416
Legal costs recovered and Proceeds of Crime Act income	871	178
Provision of information and services	719	824
Miscellaneous income	236	68
Interest receivable	26	45
Commercial and other income	39,467	34,333
European income ² .	1,657	919
Grants and contributions	561	222
European and other external funding	2,218	1,141
Total income	78,406	73,697

¹ Renewable energy income is shown net of fees due to Welsh Government in respect of wind energy income. The balance of £3,976k represents income of £14,749k (in 2019/20, £11,891k) after deducting the fee payment to Welsh Government of £10,773k (in 2019/20, £7,894k).

² Including income claimed via Welsh European Funding Office for European funded projects.

6.1 Analysis of fees and charges

Year ending 31 March 2021	Income billed £'000	Expenditure £'000	Surplus/ (Deficit) £'000
Abstraction charges	18,979	18,795	184
Environmental permitting regulations: water quality	6,421	6,917	(496)
Environmental permitting regulations: installations	3,526	3,346	180
Environmental permitting regulations: waste	2,480	2,405	75
Other environmental protection charges	1,316	1,506	(190)
Fishing licences	1,166	1,166	0
Nuclear regulation	476	474	2
Hazardous waste	989	929	60
Water resources rechargeable works	671	671	0
Marine licences	312	299	13
Emissions trading	213	213	0
Total	36,549	36,721	(172)

Comparative figures - year ending 31 March 2020	Income billed £'000	Expenditure £'000	Surplus/ (Deficit) £'000
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)
Fishing licences	1,107	1,107	0
Nuclear regulation	1,049	1,142	(93)
Hazardous waste	1,061	842	219
Water resources rechargeable works	658	658	0
Marine licences	232	224	8
Emissions trading	207	241	(34)
Total	38,608	38,223	385

Revenue is recognised based on the consideration specified in a contract with the customer. Natural Resources Wales recognises revenue in accordance with the five stages set out in IFRS 15 Revenue from contracts with customers. Revenue is recognised when, or as, Natural Resources Wales 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 Natural Resource Wales'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. 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 Natural Resources Wales 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.

Assets classified as heritage assets comprise land within designated conservation areas. This land is held in support of Natural Resources Wales' purpose. Because of the diverse nature of the land held and the lack of comparable market values, Natural Resources Wales considers that obtaining external valuations would involve disproportionate cost. Heritage assets are therefore held at cost. 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 7.1.3.

Plant and machinery, information technology equipment and intangible assets are all short term assets and depreciated historical cost is used as a proxy for fair value.

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.

Indexation and Revaluation

The table below summaries the different valuation methodologies deployed for the different categories of assets reported in Note 7.1

The valuations and indices applied were quality assured by the Natural Resources Wales Principal Surveyor. All valuers had enough current local and national knowledge of the market, and the skills and understanding to undertake the valuation competently.

All valuations were undertaken in line with the requirements of the RICS Red Book.

Rolling Programme

Reporting column in Note 7.1	Class of Asset	Valuation Methodology	Process for 20/21	Valuer
Forest Estate	Forest Estate	Market value	Full valuation	Savills
Freehold Land	Agricultural Land - Equipped Asset	Market value	Full valuation	Internal
	Agricultural Land - Unequipped Beacon properties valued as a guide	Market value	Full valuation - on beacon sites	Internal
		Market value	Full valuation - on beacon sites	Llywelyn Humphreys
	Other Welsh Government Woodland Estate Land	Market value	Full valuation	Savills
	Flood Land	Market value	Index	Internal
Leasehold Land	Flood Land	Market value	Index	Internal
Other Land	Wind Farms	Market value	Full valuation	Savills
	Hydro Schemes	Market value	Desktop	Internal
	Third party Access	Market value	Desktop	Internal
	Telecom Masts	Market value	Desktop	Internal
	Mineral Leases	Market value	Desktop	Internal
	Other Agreements	Market value	Desktop	Internal
	Forest Holidays	Market value	Desktop	Internal
Buildings	Dwellings	Market value	Land Registry House Index / BCIS*	Internal
	Offices & Commercial	Market value	BCIS Index*	Internal
	Depots (specialised)	Modern equivalent asset value	BCIS Index*	Internal
	Deer Larders (specialised)	Modern equivalent asset value	BCIS Index*	Internal
	Information Centres (specialised)	Modern equivalent asset value	BCIS Index*	Internal
	Toilet Blocks (specialised)	Modern equivalent asset value	BCIS Index*	Internal
	Visitor Centres (specialised)	Modern equivalent asset value	BCIS Index*	Internal
	Other (specialised)	Modern equivalent asset value	BCIS Index*	Internal
	Agricultural (Specialised)	Modern equivalent asset value	BCIS Index*	Internal
Operational Structures	Boreholes	Modified historic cost	ONS Index*	Internal
	Gauging Station	Modified historic cost	ONS Index*	Internal
	Locks & Weirs	Modified historic cost	ONS Index*	Internal
	Sea & River Structures	Modified historic cost	ONS Index*	Internal
	Sluices	Modified historic cost	ONS Index*	Internal
	Other	Modified historic cost	ONS Index*	Internal
	Pumping Stations	Modified historic cost	ONS Index*	Internal
	Fish Passes	Modified historic cost	ONS Index*	Internal

Reporting column in Note 7.1	Class of Asset	Valuation Methodology	Process for 20/21	Valuer
Operational Structures (Public Structures)	Boardwalks	Modern equivalent asset value	Desktop	Internal
	Bike Trails	Modern equivalent asset value	Desktop	Internal
	Bird Hides	Modern equivalent asset value	Desktop	Internal
	Other	Modern equivalent asset value	Desktop	Internal
	Car Parks	Modern equivalent asset value	Desktop	Internal
	Walking Trails	Modern equivalent asset value	Desktop	Internal
Biological Assets	Biological Assets	Market value	Full valuation	Savills
Heritage Assets	Heritage Assets	Historical cost	Held at cost	Internal

* BCIS - Building Cost Information Service
ONS - Office of National Statistics
DRC - Depreciated Replacement Cost

The Forest Estate, land, buildings and public structures have been 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). Most of these assets were last fully valued at 31 March 2016 by chartered surveyors and signed off by a registered valuer.

It has been decided to establish a rolling programme for full valuations. In between these full valuations, assets are subject to an annual interim valuation. For 2020/21, these valuations were provided by the relevant firms of Chartered Surveyors or by internal valuers. Where a full valuation was undertaken in 2020/21, this is noted in the table above. A desktop valuation was undertaken for public structures in 2020/21 but a full valuation will be undertaken in 2021/22 for public structures as well as for buildings and the remaining classes of land assets as part of the rolling programme.

Where internal valuations were undertaken, they were undertaken by our in-house team of Chartered Surveyors, under the direction of the Principal Surveyor.

Where no valuation has taken place, the appropriate indexation rates were supplied by the Principal Surveyor.

For operational structures, FReM would expect us to use the depreciated replacement cost method. For Natural Resources Wales, that is impractical and not cost effective, so we have used modified historic cost as a proxy for depreciated replacement cost to give us fair value. In conjunction with our valuers we have decided to change the type of index from BCIS Building indices to the Office of National Statistics (ONS) Construction Output Price Indices (OPI's) – Infrastructure. This index is thought to be more relevant to the type of assets contained within this category. The index has been applied to the asset values at the 1 April 2020.

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.

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:

Asset Category	Principal useful life
Tangible assets	
Buildings and Dwellings	10 - 60 years
Plant and Machinery	4 - 25 years
Information Technology	3 - 10 years
Operational Structures	5 - 100 years
Intangible assets	
Software licences	5 - 25 years
Other licences	5 - 50 years
Software developments	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 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.

Most assets within these categories have principle useful lives within these ranges.

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 Natural Resources Wales 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
At 1 April 2020	788,517	188,383	18,946	21,589	13,511	90,709	3,215	1,124,870	135,744	7,099	1,267,713
Additions	0	0	115	1,440	404	843	4,238	7,040	0	304	7,344
Assets commissioned in year	0	393	0	1,863	79	140	(2,475)	0	0	0	0
Disposals and derecognition	(1)	(353)	(200)	(904)	(4)	0	0	(1,462)	0	0	(1,462)
Movement from/(to) held for sale	1	26	425	(345)	0	0	0	107	0	0	107
Fellings	(17,118)	0	0	0	0	0	0	(17,118)	(6,493)	0	(23,611)
Indexation and revaluation	640,597	(3,428)	(771)	0	0	(8,269)	0	628,129	231,689	0	859,818
Reclassification	0	(472)	(1,679)	1,620	0	393	120	(18)	0	0	(18)
At 31 March 2021	1,411,996	184,549	16,836	25,263	13,990	83,816	5,098	1,741,548	360,940	7,403	2,109,891
Depreciation											
At 1 April 2020	0	0	3,534	14,997	13,133	26,691	0	58,355	0	0	58,355
Charged in year	0	0	596	1,503	54	3,567	0	5,720	0	0	5,720
Disposals and derecognition	0	0	(126)	(833)	(5)	0	0	(964)	0	0	(964)
Movement from/(to) held for sale	0	0	0	(323)	0	0	0	(323)	0	0	(323)
Indexation and revaluation	0	0	(100)	(6)	0	(9,224)	0	(9,330)	0	0	(9,330)
Reclassification	0	0	(747)	747	0	0	0	0	0	0	0
At 31 March 2021	0	0	3,157	16,085	13,182	21,034	0	53,458	0	0	53,458
Carrying amount at 1 April 2020	788,517	188,383	15,412	6,592	378	64,018	3,215	1,066,515	135,744	7,099	1,209,358
Carrying amount at 31 March 2021	1,411,996	184,549	13,679	9,178	808	62,782	5,098	1,688,090	360,940	7,403	2,056,433
Asset Financing											
Owned	1,366,059	180,818	13,679	9,178	808	62,782	5,098	1,638,422	360,940	7,403	2,006,765
Leased	45,937	3,731	0	0	0	0	0	49,668	0	0	49,668
Carrying amount at 31 March 2021	1,411,996	184,549	13,679	9,178	808	62,782	5,098	1,688,090	360,940	7,403	2,056,433

Buildings include dwellings with a carrying amount of £325k. The other buildings are offices and workbases.

The amount held in the Revaluation Reserve for tangible assets at 31 March 2021 was £1,595,339k.

Comparative figures for the year ended 31 March 2020

	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
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation											
At 1 April 2019	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
At 31 March 2020	788,517	188,383	18,946	21,589	13,511	90,709	3,215	1,124,870	135,744	7,099	1,267,713
Depreciation											
At 1 April 2019	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
At 31 March 2020	0	0	3,534	14,997	13,133	26,691	0	58,355	0	0	58,355
Carrying amount at 1 April 2019	736,567	60,168	13,936	7,713	387	61,524	510	880,805	122,538	7,000	1,010,343
Carrying amount at 31 March 2020	788,517	188,383	15,412	6,592	378	64,018	3,215	1,066,515	135,744	7,099	1,209,358
Asset Financing											
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
Carrying amount at 31 March 2020	788,517	188,383	15,412	6,592	378	64,018	3,215	1,066,515	135,744	7,099	1,209,358

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 31 March 2020 was £976,506k.

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.

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 2021. The percentage split is currently 27.5% for biological assets and 72.5% 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 3% of timber values and reflect the costs of selling the woodland or forest.

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.

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 2021, Savills provided a full professional valuation for all four windfarms.

Pen y Cymoedd, Brechfa West and Clocaenog are all operational now. These are TAN 8 windfarms where the income (after deducting the relative expenses) is transferred to Welsh Government.

The individual values for the windfarms as at 31 March 2021 are shown below.

	£000
Cefn Croes	7,100
Pen y Cymoedd	82,775
Brechfa West	15,000
Clocaenog	<u>31,660</u>
Total	136,535

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.

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 2021 Natural Resources Wales manages 58 of Wales's National Nature Reserves, either entirely, or in partnership, and one Marine Nature Reserve (MNR). NRW purchased heritage land at a cost of £304k during 2020/21.

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.

Heritage Assets 4 year movements

	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000
Opening balance	6,432	6,432	7,000	7,099
Additions	0	295	0	304
Reclassifications	0	273	99	0
Closing balance	6,432	7,000	7,099	7,403

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	Website	Assets under construction	Total intangible assets
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 April 2020	9,341	2,338	17,587	477	8,866	38,609
Additions	246	0	496	0	8,085	8,827
Assets commissioned in year	0	0	6,978	0	(6,978)	0
Disposals and derecognition	(6)	0	(451)	0	0	(457)
Indexation and revaluation	0	0	0	0	0	0
Reclassification	0	(1)	0	0	19	18
At 31 March 2021	9,581	2,337	24,610	477	9,992	46,997
Amortisation						
At 1 April 2020	6,349	38	9,782	391	0	16,560
Charged in year	678	10	2,404	43	0	3,135
Disposals and derecognition	(6)	0	0	0	0	(6)
Indexation and revaluation	0	0	0	0	0	0
Reclassification	0	0	0	0	0	0
At 31 March 2021	7,021	48	12,186	434	0	19,689
Carrying Amount at 1 April 2020	2,992	2,300	7,805	86	8,866	22,049
Carrying Amount at 31 March 2021	2,560	2,289	12,424	43	9,992	27,308
Asset Financing						
Owned	2,560	2,289	12,424	43	9,992	27,308
Carrying Amount at 31 March 2021	2,560	2,289	12,424	43	9,992	27,308

The amount held in the Revaluation Reserve for these assets at 31 March 2021 was £632k.

Comparative figures for the year ended 31 March 2020

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

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

8. Financial liabilities and instruments

8.1 Financial liability

The financial liability of £39,897k 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.

£5,926k was paid to Dŵr Cymru Welsh Water during 2020/21 (2019/20: £5,848k) 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 £26.9m.

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 surplus has been deducted against the long term payables in note 12. The corresponding reduction in attributable 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

	31 March 2021	31 March 2020
	£'000	£'000
Lake Vyrnwy forest	13,528	4,811
Forest holidays	600	710
	<u>14,128</u>	<u>5,521</u>

Hafren Dyfrdwy are responsible for the management of the forest at Lake Vyrnwy, collecting the income and incurring the relative costs. Natural Resources Wales have an advisory role under the afforestation scheme agreement and receives 50% of the operating surplus from Hafren Dyfrdwy.

10. Trade and other receivables

	31 March 2021	31 March 2020
	£'000	£'000
Due within 1 year		
Trade receivables	5,481	5,629
Expected credit loss	(871)	(672)
Contract assets:		
Commercial and other	5,926	3,673
Accrued income:		
European and other external funding	942	1,044
Charges	1,874	1,325
Other	1,033	77
VAT receivable	2,894	3,110
Prepayments	2,151	1,890
Other receivables	26	35
Total	<u>19,456</u>	<u>16,111</u>
Due after 1 year		
Long term receivables	3,342	3,982
Total Trade and other receivables	<u>22,798</u>	<u>20,093</u>

11. Cash and cash equivalents

	31 March 2021 £'000	31 March 2020 £'000
Opening balance	25,101	49,025
Net change in cash and cash equivalent balances	(17,246)	(23,924)
Total	7,855	25,101
The following balances were held at 31 March		
Government Banking Service	5,465	20,980
Other bank accounts	2,388	4,120
Cash in hand	2	1
Total	7,855	25,101

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 Natural Resources Wales give due consideration to drawing down the provision in place.

12. Trade and other payables

	31 March 2021 £'000	31 March 2020 £'000
Due within 1 year		
Trade payables accrual	15,576	12,561
Deferred income		
European and other external funding	3,061	2,595
Charges	5,118	5,017
Contract liabilities:		
Charges	198	478
Commercial and other	15	101
Holiday pay	3,607	2,665
Trade payables	3,117	3,153
Bonds and deposits	1,301	1,301
Finance leases (current)	20	20
Other payables	4	4
Taxation and social security	9	9
Total	32,026	27,904
Due after 1 year		
Long term payables	3,193	3,829
Finance leases (non-current)	456	459
Long term deferred income	216	244
Long term bonds and deposits	190	190
Total	4,055	4,722
Total Trade and other payables	36,081	32,626

13. Provisions

	Early departure costs	Other	Total
	£'000	£'000	£'000
Balance at 1 April 2020	12	400	412
Provided in the year	0	0	0
Released in year	0	(57)	(57)
Used in the year	(12)	(270)	(282)
Balance at 31 March 2021	0	73	73
Estimated timing of discounted cash flows			
Due within one year	0	73	73
Due between one and five years	0	0	0
Total	0	73	73

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 Natural Resources Wales 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 is for an injury claim (£73k).

The costs of the other provisions are shown in note 5. The additional provision for the movement in expected credit loss is also 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 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. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). 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

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 Natural Resources Wales that were employees of EAW remain members of the Environment Agency Pension Fund (EAPF) as an admitted body.

EAPF operates a statutory, defined benefit pension scheme, 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

The total LGPS pension charge for Natural Resources Wales for the financial year 2020/21 was £9,191k (£12,513k in 2019/20). 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 111% of its expected future liabilities at 31 March 2021 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.

There are two main differences in the assumptions used in these financial statements and those used for funding purposes, as reported by EAPF. These differences are in the discount rate assumption and the pension increase assumption 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. At 31 March 2021 this discount rate is 2.9% p.a.. The discount rate used in the Natural Resources Wales financial statements (2.0% p.a.), as required by IAS 19, is based on high quality corporate bond yields with no additional asset performance assumption. The pension increase assumption derivation for accounting purposes has changed since the most recent valuation of the EAPF as a result of RPI reform announcements. The pension increase assumption reported by the EAPF allows for a gap between RPI and CPI of 1.0% p.a. and an inflation risk premium of 0.3% p.a.. However the assumption reported in these financial statements allows for a pre-2030 gap between RPI and CPI of 1% and a post-2030 gap of 0.1%. The resulting pension increase assumptions are 2.0% p.a. on the funding basis and 2.85% p.a. on the IAS19 basis. The real terms discount rate in these financial statements is therefore 1.75% lower than the rate used in the EAPF for funding purposes. This lower rate results in a significantly higher value being placed on the liabilities for accounting purposes.

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 was assumed at the 2019 actuarial valuation 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 2021. The assumptions underlying the calculation of a net liability at 31 March 2021 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.

Over the past year, COVID-19 has had a significant impact in the financial markets and the global economy as the world has responded to the challenges raised by the pandemic. From February 2020, asset values became increasingly volatile with the Fund's asset values falling by around 10% by 31 March 2020. However, following 31 March 2020, financial markets began to see some 'bounce-back' – perhaps as the initial sell-off was deemed to be excessive. By 30 June 2020, the Fund's asset values had increased by around 10%, returning to their 31 December 2019 levels. At 31 March 2021, the asset values of the Pension Fund are c15% higher than at 31 March 2020.

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 applied 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. In July 2020, the Government entered into consultation on changes to the LGPS which outlined proposals to amend 'transitional proposals'. The overarching aim is that the changes will address the findings of the Courts and provide protection to all qualifying members when their benefits are drawn from the scheme. A full Government response to the issues addressed in the consultation is due to be published later in 2021. It is anticipated that regulations giving effect to these changes will be made after new primary legislation in relation to public service pensions has completed its passage through Parliament and the Government's intention is that regulations will come into force on 1 April 2023. The impact on Natural Resources Wales is reflected in the fund's closing valuation.

14.2.1 Financial and longevity assumptions

Period Ended	31 Mar 2021 % p.a.	31 Mar 2020 % p.a.
Pension Increase Rate	2.85%	1.60%
Salary Increase Rate	3.35%	2.10%
Discount Rate	2.00%	2.30%

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

	Males	Females
Current Pensioners	22.1 years	24.2 years
Future Pensioners*	23.4 years	26.2 years

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

14.2.2 Sensitivity analysis

Change in assumptions at 31 March 2021:	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	12%	63,703
0.5% increase in the Salary Increase Rate	3%	13,767
0.5% increase in the Pension Increase Rate	9%	48,146

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 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 2021

Asset Category	31 March 2021 (£000)				
	Quoted	Unquoted	Undetermined	Total	%
Equity Securities:					
Common Stock	94,234.9	0.0	0.0	94,234.9	22%
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	1,693.4	0.0	0.0	1,693.4	0%
Debt Securities:					
UK Government Bonds	0.0	38,279.9	0.0	38,279.9	9%
Corporate Bonds	0.0	35,420.4	0.0	35,420.4	8%
Other	0.0	2,432.6	0.0	2,432.6	1%
Pooled Investment Vehicles:					
Equities	0.0	108,165.2	0.0	108,165.2	25%
Bonds	0.0	67,774.4	0.0	67,774.4	16%
Funds - Common Stock	0.0	0.0	0.0	0.0	0%
Funds - Real Estate	0.0	14,145.8	0.0	14,145.8	3%
Funds - Venture Capital	0.0	88.9	0.0	88.9	0%
Venture Capital and Partnerships:					
Partnerships & Real Estate	0.0	53,992.5	0.0	53,992.5	12%
Other Investment:					
Stapled Securities	0.0	0.0	0.0	0.0	0%
Derivative Contracts:					
Equity Derivatives - Futures	0.0	0.0	0.0	0.0	0%
Forward FX Contracts	0.0	(128.3)	0.0	(128.3)	0%
Cash and Cash equivalents					
All	0.0	0.0	19,119.4	19,119.4	4%
Totals	95,928.3	320,171.4	19,119.4	435,219.1	100%

Fair Value of Assets for the year ended 31 March 2020

Asset Category	31 March 2020 (£000)				
	Quoted	Unquoted	Undetermined	Total	%
Equity Securities:					
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%
Debt Securities:					
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%
Pooled Investment Vehicles:					
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%
Venture Capital and Partnerships:					
Partnerships & Real Estate	0.0	53,428.9	0.0	53,428.9	14%
Other Investment:					
Stapled Securities	0.0	0.0	0.0	0.0	0%
Derivative Contracts:					
Equity Derivatives - Futures	0.0	0.0	0.0	0.0	0%
Forward FX Contracts	0.0	(563.3)	0.0	(563.3)	0%
Cash and Cash equivalents					
All	0.0	0.0	8,898.6	8,898.6	2%
Totals	53,368.2	309,804.2	8,898.6	372,071.0	100%

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

Period ended 31 March 2021	Assets	Obligations	Net (liability)/asset
	£(000s)	£(000s)	£(000s)
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
Opening Position as at 31 March 2020	372,071	373,582	(1,511)
Service cost			
- Current service cost*	0	9,119	(9,119)
- Past service cost (including curtailments)	0	72	(72)
- Effect of settlements	0	0	0
Total service cost	-	9,191	(9,191)
Net interest			
- Interest income on plan assets	8,506	0	8,506
- Interest cost on defined benefit obligation	0	8,623	(8,623)
- Impact of asset ceiling on net interest	0	0	0
Total net interest	8,506	8,623	(117)
Total defined benefit cost recognised in Profit or (Loss)	8,506	17,814	(9,308)
Cashflows			
- Plan participants' contributions	2,038	2,038	0
- Employer contributions	2,036	0	2,036
- Contributions in respect of unfunded benefits	0	0	0
- Benefits paid	(8,033)	(8,033)	0
- Unfunded benefits paid	0	0	0
Effect of business combinations and disposals	0	0	0
Expected closing position	376,618	385,401	(8,783)
Remeasurements			
- Change in financial assumptions	0	152,421	(152,421)
- Change in demographic assumptions	0	6,837	(6,837)
- Other experience	0	(2,796)	2,796
- Return on assets excluding amounts included in net interest	58,601	0	58,601
- Changes in asset ceiling	0	0	0
Total remeasurements recognised in Other Comprehensive Income (OCI)	58,601	156,462	(97,861)
Exchange differences	0	0	0
Fair value of employer assets	435,219	0	435,219
Present value of funded liabilities	0	541,863	(541,863)
Present value of unfunded liabilities	0	0	0
Closing position as at 31 March 2021	435,219	541,863	(106,644)

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

It is estimated that the present value of funded liabilities comprises of approximately £305,400,000, £94,153,000 and £141,538,000 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2021. 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 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
Opening Position as at 31 March 2019	373,104	429,192	(56,088)
Service cost			
- Current service cost*	0	13,497	(13,497)
- Past service cost (including curtailments) **	0	(984)	984
- Effect of settlements	0	0	0
Total service cost	0	12,513	(12,513)
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
Total net interest	9,043	10,412	(1,369)
Total defined benefit cost recognised in Profit or (Loss)	9,043	22,925	(13,882)
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
Expected closing position	388,045	446,056	(58,011)
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
Total remeasurements recognised in Other Comprehensive Income (OCI)	(15,976)	(72,476)	56,500
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
Closing position as at 31 March 2020	372,071	373,582	(1,511)

* 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 2021 £'000	31 March 2020 £'000
Property plant and equipment		
Plant and machinery	392	206
Transport equipment	205	940
Operational structures	1,096	1,262
Public structures	108	150
Total	<u><u>1,801</u></u>	<u><u>2,558</u></u>
Intangible assets		
Information technology - software licences	22	420
Information technology - software development	581	1,248
Total	<u><u>603</u></u>	<u><u>1,668</u></u>
Total	<u><u>2,404</u></u>	<u><u>4,226</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 2021			
	Land	Buildings	Vehicles	Total
	£'000	£'000	£'000	£'000
Obligations under operating leases are:				
Not later than one year	117	1,484	994	2,595
Later than one year and not later than five years	349	3,043	2,128	5,520
Later than five years	1,998	1,054	0	3,052
Total value of obligations	<u><u>2,464</u></u>	<u><u>5,581</u></u>	<u><u>3,122</u></u>	<u><u>11,167</u></u>
	31 March 2020			
	Land	Buildings	Vehicles	Total
	£'000	£'000	£'000	£'000
Obligations under operating leases are:				
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
Total value of obligations	<u><u>2,625</u></u>	<u><u>7,228</u></u>	<u><u>2,889</u></u>	<u><u>12,742</u></u>

16.2 Finance leases

	31 March 2021	31 March 2020
	£'000	£'000
Obligations under finance leases for land are:		
Not later than one year	20	20
Later than one year and not later than five years	48	49
Later than five years	408	410
Total value of obligations	476	479

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 2021 are :

	31 March 2021	Restated 31 March 2020
	£'000	£'000
Not later than one year	16,540	13,087
Later than one year and not later than five years	16,165	13,784
Later than five years	1,343	1,379
Total	34,048	28,250

Other commitments due after 5 years has been restated from £948k to £1,379k to reflect the commitments under management agreements for the next 100 years rather than 50 years.

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 Natural Resources Wales manages these leases on behalf of Welsh Government and royalties from Energy Delivery Programme, Third party access, Hydro and other leases.

	31 March 2021	31 March 2020
	£'000	£'000
Not later than one year	13,839	11,567
Later than one year and not later than five years	53,258	42,097
Later than five years	226,029	179,625
Total	293,126	233,289

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.

The table includes commitments under the Operating lease for Clocaenog windfarm for the next 25 years. Although the Operating Lease wasn't signed as at 31 March 21, the windfarm itself is operational and Natural Resources Wales receives royalty rents based on electricity generated just as it would under the Operating Lease agreement. It is expected that the lease will be signed imminently.

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:

	31 March 2021	31 March 2020
	£'000	£'000
Timber sales claims	250	508
Property damage claims	836	210
Public and employee liability	44	170
Judicial reviews	0	100
Other	17	0
Total	<u>1,147</u>	<u>988</u>

Timber sales claims

Natural Resources Wales have received a claim from a timber firm in respect of their contract with Natural Resources Wales. The amount disclosed in the table above relates to one claim.

Property damage claims

Damage to properties following failure of storm drains and culverts

Public and employee liability

The value of three public liability claims is included in the table above. These claims are for damage to farm property.

Other claims

The value of three claims, referring to animal and road haulage damage.

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:

Property damage claims

Thirty-eight claims have been received where the values are yet to be quantified.

Public and employee liability

One claim has been made relating to a Mountain Biker, a member of Foel Downhill Riders, who was seriously injured on one of our cycle tracks.

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 2021/22. 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 £255k 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. The Appeal was granted to the claimants and Natural Resources Wales are now waiting the outcome of the Appeal which it is anticipated would take place in early 2021. If the Appeal is successful, Natural Resources Wales could be ordered to repay £755k to the claimants, pay the claimant's legal costs and pay compensation. It is not possible to know the actual value of the claimant's 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.

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 2021 £'000	Amount owed to NRW at 31 March 2021 £'000
Aneurin Bevan University Health Board	Catherine Brown	Independent member - Ministerial appointment	0	9	0	0
Cardiff University	Steve Ormerod	Professor	22	16	0	0
DEFRA including: Joint Nature Conservation Committee and Support Company	Karen Balmer	Independent member of JNCC Audit and Risk Committee	24	35	0	0
Environment Agency	Steve Ormerod	Member of Science Advisory Group	3,380	852	165	652
Leonard Cheshire Disability	Elizabeth Haywood	Board Member and Trustee	0	1	0	0
North Wales Wildlife Trust	Howard Davies	Honorary Vice President	65	0	12	0
Pembrokeshire Coast National Park Authority	Rosie Plummer	Welsh Government appointed board	150	240	100	0
Plantlife International	Rosie Plummer	Trustee	111	0	108	0
Pobl Group - Homes and Communities	Julia Cherrett	Non-Executive Director and Vice Chair	5	0	5	0
Refurb Flintshire (Subsidiary of Groundwork North Wales)	Karen Balmer	Group Chief Executive Officer	0	1	0	0
RSPB	Steve Ormerod	Vice President	343	38	278	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 2021 £'000	Amount owed to NRW at 31 March 2021 £'000
Geraint Davies	Section 16 agreements under the Environment (Wales) Act 2016	3	0	0	0