

Agenda

Title of meeting:	NRW Board Public Meeting
Date of meeting:	Thursday 23rd January 2025
Time of meeting:	9:00 – 12:40

Time Item

Preliminary Matters

- 9:00**
(5 mins) **Item 1. Open Meeting**
- Welcome
 - Declaration of Interests
 - Explain conduct of meeting

Sponsor and Presenter: Sir David Henshaw (Chair)

Summary: To NOTE any declarations of interest

- 9:05**
(5 mins) **Item 2. Review Minutes and Action Log**
- 2A. Review Minutes from Public 21st November Meeting
2B. Review Public Action Log

Sponsor and Presenter: Sir David Henshaw (Chair)

Summary: To APPROVE the minutes of the previous meeting and the Action Log

Setting the Scene

- 9:10**
(10 mins) **Item 3. Update from the Chair**

Sponsor and Presenter: Sir David Henshaw (Chair)

Summary: To NOTE the Chair's update to the Board including a brief description on what was covered in the private Board meeting

- 9:20**
(10 mins) **Item 4. Report from the Chief Executive**
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Sponsor and Presenter: Ceri Davies, Acting Chief Executive

Summary: To NOTE the current position and update the Board on key activities

Paper Ref: 25-01-B05

Governance, Risk and Assurance

**9:30
(20 mins)**

Item 5. Update Reports of Committees and Forums

Sponsors and Presenters: Committee Chairs

- Audit and Risk Assurance Committee – 13th December
Paper Ref: 25-01-B06
- Evidence Advisory Committee
- Finance Committee – 5th December and 8th January
Paper Ref: 25-01-B07
- Flood Risk Management Committee – 9th January
- Land Estate Committee
- People and Customer Committee – 10th December
Paper Ref: 25-01-B08
- Protected Areas Committee
- Wales Land Management Forum
Paper Ref: 25-01-B09
- Wales Fisheries Forum
Paper Ref: 25-01-B10
- Wales Water Management Forum
Paper Ref: 25-01-B11
- National Access Forum for Wales
- Enabling the Environmental Sector Group

Summary: To NOTE the updates from the Board Committees and NRW Forums, both within and outside and meetings held

**9:50
(10 mins)**

Item 6. Board Business Management

Sponsor and Presenter: Sir David Henshaw (Chair)

Topics for discussion:

- a) **Chair's Items**
Lead: Sir David Henshaw
 - b) **Board Members' Items**
Lead: Board Members
-

Summary: To discuss any matters arising

c) Forward Look

Lead: Natalie Williams, Deputy Board Secretary and Board Secretariat Team Leader

Summary: To review the Board Forward Look

Paper Ref: 25-01-B12

Delivering Our Plan

**10:00
(20 mins)**

Item 7. Finance Performance Report

Sponsor: Rachael Cunningham, Executive Director of Finance and Corporate Services

Presenter: Rob Bell, Head of Finance

Summary: To APPROVE the latest financial position

Paper Ref: 25-01-B13

**10:20
(15 mins)**

Item 8. Internal Drainage Districts Budget

Sponsor: Rachael Cunningham, Executive Director of Finance and Corporate Services

Presenter: Rob Bell, Head of Finance

Summary: To APPROVE the Internal Drainage Districts Budget

Paper Ref: 25-01-B14

**10:35
(20 mins)**

Break

Strategic Planning

**10:55
(90 mins)**

Item 9. NRW2030 & Transformation Update

Sponsor: Rachael Cunningham, Executive Director of Finance and Corporate Services

Presenter: Vic Rose-Piper, Head of Business Support Services and Adfywio, Matt Harrington, Interim Head of DdAT

Summary: For the Board to discuss the future direction of NRW

12:25
(10 mins)

Item 10. How Did We Do in This Meeting?

Sponsor: Sir David Henshaw, Chair

Summary: Review of the meeting

12:35
(5 mins)

Item 11. AOB

12:40

Close Meeting

12:40
(20 mins)

Public Q&A

13:00

Close Public Meeting

DRAFT Unconfirmed Minutes

Title of meeting: NRW Board Meeting – Public Meeting

Location: Board Room, CP2 and Microsoft Teams

Date of meeting: 21st November 2024

Board Members present: Sir David Henshaw
Prof Steve Ormerod, Deputy Chair
Ceri Davies, Acting Chief Executive
Geraint Davies
Dr Pete Fox
Prof Calvin Jones
Lesley Jones
Prof Rhys Jones
Mark McKenna
Kath Palmer
Helen Pittaway
Dr Rosie Plummer

Executive Team Members present: Prys Davies, Executive Director of Corporate Strategy and Development
Sarah Jennings, Executive Director of Communications, Customer and Commercial
Rachael Cunningham, Executive Director of Finance and Corporate Services
Dominic Driver, Acting Executive Director of Evidence, Policy and Permitting
Rhian Jardine, Head of Marine and DPAS (deputising for Gareth O’Shea, Executive Director of Operations)
Vic Rose-Piper, Head of Business Support Services and Adfywio (deputising for Executive Director of Finance and Corporate Services)

Attendees present: Phil Williams, Head of Governance and Board Secretary (All items)
Rob Bell, Head of Finance – item 6
Charlotte Morgan, Wellbeing, Health and Safety Manager – item 7
Sarah Williams, Head of Corporate Strategy and Programme Management Office (PMO) – item 8

Public Observers present: Kim Waters

Secretariat: Natalie Williams, Deputy Board Secretary and Board Secretariat Team Leader
Sian Johnston, Board Secretariat Team

Declarations of Interest:

- Dr Rosie Plummer - Member Pembrokeshire Coast National Park Authority - wide-ranging interactions including Withy hedge with NRW including National Park landscape designation and protections including SAC rivers, Marine zones, diverse grant recipient and collaborator
- Prof Steve Ormerod – Chair of the Science Advisory Group and Board Member to the new Environmental Markets Board; Chair of the Fish-Eating Birds Advisory Group; Vice-President of the RSPB
- Geraint Davies – Mentor with Farming Connect; Associate of Pwllpeiran Upland Research Centre
- Prof Rhys Jones – part of a funded research project with Coventry University that will be examining the development and early implementation of the Sustainable Farming Scheme

Item 1. Open Meeting

1. The Chair opened the meeting, welcomed everyone, and explained the conduct of the meeting. Declarations of interest and apologies were noted as above.

Item 2. Review Minutes and Action Log

Item 2A. Review Minutes from the 26th September Meeting

2. The minutes from the public Board meeting on 26th September were reviewed and agreed.

Item 2B. Review Action Log

3. The Action Log was reviewed and noted.

Item 3. Update from the Chair

4. The Chair noted that he had signed the Charter for Families Bereaved through Public Tragedy and the Executive Director of Operations was thanked for his work on this.

Item 4. Report from the Chief Executive

5. The Acting Chief Executive gave an update on items in addition to the written Report. A team was focused on the Water Special Measures Bill and were working with Welsh Government (WG) colleagues on this. NRW were awaiting the final determination from Ofwat regarding the Price Review(PR)24, which was due on 19th December 2024. The Board would be kept informed of this. If the final determination was as the final Business Plan submitted by Dŵr Cymru/Welsh Water (DCWW) then this would commence in April 2025 through to 2030. The Chair and NRW officers would attend DCWW's Quality and Safety Committee meeting in December to scrutinise their actions to improve their two star performance rating.
6. The consultation period for the proposals for the National Park would end on 16th December. Thanks were given to the public that had taken part so far. There had been high levels of attendance at the consultation events, and the remaining sessions were outlined. The team were commended for their work on the proposed National Park. Should there be sufficient evidence to submit a designation order, this would be provided to WG who would then make the final decision.
7. The Acting Chief Executive had met with several stakeholders including the Auditor General for Wales and WG colleagues. Meetings with other stakeholders such as the British Association for Shooting and Conservation (BASC) would take place in the Winter Fair on 25th November. Dr Pete Fox noted that BASC should be commended on their promotion of the non-toxic shots for ammunition.
8. The Case for Change (CfC) continued with the matching process and the next stage for staff would be expressions of interest. Stakeholders were being engaged to discuss the changed services and how NRW were managing the transition.
9. In response to a query, it was explained that NRW had been part of the Environmental Protection Agency Network since 2013 and it was an important network to learn from others as well as sharing learning. Shared learning also occurred with other countries, including sharing the State of the Natural Resources Report (SoNaRR) which was unique to Wales.

Item 5. Update Reports of Committees and Forums

10. Kath Palmer, Chair of the Audit and Risk Assurance Committee (ARAC) noted that ARAC had scrutinised and endorsed the final Annual Report and Accounts (ARA) at their meeting on 7th October, which had since been laid in the Senedd.
11. Prof Steve Ormerod, Chair of the Evidence Advisory Committee (EAC) gave an update from the meeting held on 22nd October. Discussion had included evidence from the marine environment, with trying to restore and protect it but also allowing development where appropriate. Sustainable investment principles had also been discussed, as well as the Interim SoNaRR and the draft Evidence Strategy. The Board requested sight of the Strategy.

ACTION: The Head of Evidence and Knowledge to provide the draft Evidence Strategy to the Board.

12. Helen Pittaway, Chair of the Finance Committee (FC) noted there had been no meetings since the last Board meeting.
13. Dr Pete Fox, Chair of the Flood Risk Management Committee (FRMC), updated the Board on the meeting held on 3rd October. The content of the paper was noted including the National Infrastructure Commission for Wales (NICW) review into flood infrastructures, the review of the Capital Programme and that there would be a future discussion on the Internal Drainage Districts (IDDs). Geraint Davies noted that the public affected by IDDs in Tan Lan were unhappy with the way it was being pursued and there was no appeal avenue. This would be further discussed by FRMC.
14. The connection between NRW and NICW was queried, and it was explained that the Head of Flood and Incident Risk Management had fed into their review. Prof Calvin Jones had attended the launch of the NICW findings and their next piece of work would be on climate adaptation.
15. Prof Calvin Jones, Chair of the Land Estate Committee (LEC), updated the Board on the meeting held on 9th October. The paper was taken as read and a site visit had been conducted with Trydan Gwyrdd Cymru at the Pen y Cymoedd windfarm, located next to peat, where a new issue had emerged as the area had many water voles. The tension between wind farm development and peat was queried, and it was noted that Planning and Environment Decisions Wales (PEDW) were due to provide decisions on three large developments next to peat. One decision had been made and further information would be circulated to Board members. A comprehensive report on compensatory planting would be provided to the Board in due course.

ACTION: The Head of Marine Services and Development Planning Advice Service (DPAS) to provide information regarding a renewable energy development decision that had been made by PEDW.

16. Mark McKenna, Chair of the People and Customer Committee (PCC) noted there had been no meetings since the last Board meeting.
17. Dr Rosie Plummer, Chair of the Protected Areas Committee (PrAC) updated the Board on the meeting held on the 17th October. Further clarity was provided on Safle, it was explained that this was an internal database for NRW. It was queried whether there would be funding for new land management agreements (LMAs), however it was noted that the funding that had been announced would be to continue current LMAs. Funding for new ones would be discussed in Budget discussions with Welsh Government (WG). Board members queried how NRW could do better with using modern technology to reduce the burden on staff monitoring LMAs, and PrAC would discuss this further.
18. Prof Rhys Jones, Chair of the Wales Land Management Forum (WLMF), updated the Board on the recent meeting and the paper was taken as read. The Forestry Regional Advisory Committee (RAC) would be invited to the next WLMF meeting. It was hoped that Dr Susannah Bolton, the independent external chair to oversee the statutory

review of the Water Resources (Control of Agricultural Pollution) (Wales) Regulations 2021, would report back to WLMF following this review. The data had been collected for the review of the NRW forums, and this would return to WLMF following the analysis of the data.

19. Prof Steve Ormerod, Chair of the Wales Fisheries Forum (WFF) and the Wales Water Management Forum (WWMF) updated the Board and noted there had not been a WFF meeting since the last Board meeting. WWMF had met, and they had received presentations from Hafren Dyfrdwy and Dŵr Cymru/Welsh Water regarding the predetermination intent for Price Review (PR)²⁴ and how the programmes had been modified through OfWat. A presentation had also been provided on metal mines and it had been highlighted that approximately 700km of Welsh rivers had been affected by metal mine drainage. A meeting convened by the Church in Wales had been well attended in Cardiff, where there was wide ranging interest and concern regarding the state of the water environment.
20. Dr Pete Fox had attended the NRW River Restoration Seminar, many external organisations had attended and it was clear there was momentum behind river restoration. The event had been to discuss restoration at scale, and there would be a dinner held where a River Restoration prize would be presented.
21. Geraint Davies, Chair of the National Access Forum for Wales (NAFW), updated the Board on the latest meeting, discussion had included the National Parks, infrastructure and sustainable transport in Wales.
22. Lesley Jones, Chair of the Enabling the Environment Sector Group (EESG) noted that the group would be reviewing the terms of reference (ToR) to ensure that the Group were focusing on action so it would not only be a discussion forum. Their latest meeting had included discussion on the Teifi Demonstrator Project and long-term funding from the Treasury.

Item 6. Finance Performance Report

Presenter: Rob Bell, Head of Finance

23. The Executive Director of Finance and Corporate Services (F&CS) introduced the item and the Head of Finance provided an overview of the paper. It was noted that FC would review the Report in further detail at their meeting in December. The overall budget had increased to £272.9m. The timber income forecast had increased, therefore WG did not need to provide cover anymore. The Commercial income had increased and confirmation had been received that WG would contribute an additional £1.5m towards the pay award. There was also an increase in charge income.
24. Both Land Stewardship and Training required reforecasting for expenditure. A more prudent approach would be taken to overprogramming, so as not to risk an underspend. The salary savings was on target to be delivered, and funding had been put aside for potential redundancies. However, the figure for redundancies would not be known until February as per the CfC timeline. An additional £1.3m had been

provided for pension contributions for Civil Service Pension Scheme (CSPS). Further funding would be allocated from WG for reservoirs.

25. Ongoing liabilities were highlighted including IR35 and Tŷ Cambria. New legal representation had been sought for Tŷ Cambria, however there was a risk that it may not be resolved until the next financial year. All possible outcomes were being considered. Any savings made in the budget this year would be paid back to WG for their payment on account for IR35. There was also pressure on some flood and electricity costs and this was being reviewed. The risks would be further considered by FC.
26. The pension scheme allocation liabilities were queried. It was explained that every three years a valuation was provided on the pension contribution fees which should bring down future liabilities. It was noted that the pension surplus was currently in a good situation.
27. It was confirmed that NRW were on track with the full year forecast, however it appeared certain that the full allocation of water and capital would not be used. This would be considered over the next month with the Executive Team (ET). The reserves were explained, that this only applied to charge balances as NRW had the ability to carry them forward year to year.

APPROVED: The Board approved changes to the latest forecast, from £269.0m to £272.9m. The Board noted the financial performance to the end of September 2024.

Item 7. Wellbeing, Health & Safety Quarter 2 Report

Presenter: Charlotte Morgan, Wellbeing, Health and Safety Manager

28. The Executive Director of Corporate Strategy and Development (CS&D) introduced the item. The Wellbeing, Health and Safety Manager provided key highlights from the paper. Three Serious Incident Reviews (SIRs) had been commissioned; 5 SIRs had been paused due to waiting for further instructions from others such as the Health and Safety Executive (HSE); three SIRs had been completed; eight SIRs had been closed. The reason for the high number of the closed SIRs was due to no further action required from NRW as an interested party following the cases having been to the Coroner.
29. There was one Reporting of Dangerous Diseases and Occurrences Regulations (RIDDOR), a member of staff that had a slip/trip on uneven ground, however the injuries were severe. The HSE had been notified and the member of staff was recovering and was due back in work shortly. Several wellbeing initiatives had been launched including the new Employee Assistance Programme, Vivup, and stress awareness sessions for managers. The Executive Director of CS&D noted that an Internal Audit had been completed on the SIR process which had resulted in a positive outcome. This would be presented to ARAC in December.
30. The Board requested a detailed plan of work for Waterfall Country given the number of incidents and fatalities that occurred there. This would be presented to PCC in March,

and it could be presented to the Board following this. It was noted that the organisation could only do so much, and it was queried how NRW could help coroners consider the wider picture for this area. The Visitor Safety Group liaised with coroners, however it was emphasised that this Group did not influence any investigations.

31. The uptake in courses on the Learning Management System (LMS) was queried, and it was suggested that staff appreciated and were becoming familiar with the new System. A paper would be brought to ET in January with a new revised mandatory training list and when refresher training would be required. It was also suggested that the LMS would be useful for the Board's development.

APPROVED: The Board approved the Wellbeing, Health and Safety Report for Quarter 2 2024-25.

Item 8. Business Plan Performance Dashboard and Internal Performance Quarter 2 Report

Sponsor and Presenter: Ceri Davies, Acting Chief Executive

Attendee: Sarah Williams, Head of Corporate Strategy and PMO

32. The Acting Chief Executive presented the Business Plan Performance Dashboard and Internal Performance Quarter 2 Reports. The Wellbeing Objectives (WBOs) were explained and the process for reporting on these were being built on and would be improved. The Q2 reported position and the anticipated year end position was presented. The recruitment freeze was having an impact on delivery across the organisation and this was reflected in the Report. Although this was a selection of statistics, similar trends would appear across all activities. There were more Amber and Red and the lack of resources was the reason. It was hoped that performance would improve but these were realistic scores in the Report. Multiyear metrics were being considered so that trends could be analysed.
33. An update was provided on WBO3. There was good progress overall but the year-end position in relation to challenge and advice for water companies, and setting the ambition for water quality improvements were Red. The recruitment freeze was impacting the challenge and advice measure, as well as NRW taking on new work with the Water Special Measures Bill. Work had been prioritised to investigate water features in designated Special Areas of Conservation (SAC) waters failure to the Water Framework Directive (WFD) which was impacting the second Red measure. Lack of resources was also affecting the pace of work. The next WBO3 deep dive would focus on waste. The risks around the recruitment freeze were noted, and the sooner this could be lifted the better.
34. An update was provided on WBO2 with five measures reporting Amber. Work had been paused on the National Peatland Programme and the flood asset management and maintenance, but the lifting of the recruitment freeze would help with this. Although the Flood Warning Information System had been successful, there were issues with the Telemetry Project which would return to ET. Demands were increasing for the pre application processes related to statutory planning and permitting applications to facilitate industrial decarbonisation and reduction of landfill greenhouse gas emissions,

but resources were limited and the Deputy First Minister had been made aware of this. A memorandum of understanding (MOU) and a contract had been signed with Net Zero Wales, to enable funding for NRW to do certain activities. There was good progress with the Net Zero Plan however there had been a slowdown of the literacy training.

35. The MOU was explained, partners were coming together and funding would be for permitting work for NRW. Although the pre-application work had been designed, it had not yet been tested. The investment was welcomed, as this had previously been discussed by the Board.
36. An update was provided on WBO1. Resources were limited to be able to evaluate the NRW Nature Networks Programme, however a steer was also needed from WG for how they wanted NRW to work on this evaluation. It was unlikely that this would be completed until February 2025, however the Board encouraged the team to complete this before then. The measure on synthesising evidence to identify priorities for notification and renotification of sites contribution to the 30 by 30 target, was Red due to staff vacancies. The pathway to Green for this would come from direction from PrAC on how to proceed.
37. The measure on the Sustainable Farming Scheme (SFS) was unlikely to be deliverable at year end, this would depend on filling vacancies and WG clarifying NRW's role. There was acknowledgment that there was much pressure on NRW with WG asking for work in a quick turnaround with the SFS.
38. The risk of other organisations not doing what they could for nature and what NRW could not control was highlighted, and NRW needed to consider the implications of this and how they could engage with stakeholders. During the Corporate Plan discussions, it had been agreed that NRW needed to start holding others to account. In response to a query, the narrative would capture when priorities would change throughout the year but the measures that had been agreed for the Business Plan at the beginning of the year would not change.
39. A group had been formed to discuss the WBO measures altogether, which provided the opportunity for NRW and WG to establish their position regarding the work needed for the measures, what was being worked on and what should be prioritised.
40. The Board thanked the team for the honesty and realism with the measures and staff should be made aware that some measures may not be delivered. Thanks were given to Bronia Bendall, who had recently left NRW.
41. The Internal Performance Report had six Green measures, one Amber measure and zero Red. There would be a continued focus on linking the Business Plan objectives and staff's Sgwrs objectives, and ensuring that they were logged on the system.

APPROVED: The Board approved the Business Plan Performance Dashboard and Internal Performance Quarter 2 Report.

Item 9. AOB

42. No matters were raised under AOB.

Meeting Closed

Public Q&A

43. The Chair introduced the public Q&A session. As several questions had been received regarding the visitor centres, the Chair provided a statement addressing these. Retail and catering provision at three visitor centres managed by Natural Resources Wales would remain open until March 31, 2025, and would then close. Following this, a public exercise would be launched to look for partners who may be interested in helping to run these services at Bwlch Nant yr Arian, Ynyslas and Coed y Brenin in the future. Public meetings would be held on November 25th, 26th and 27th to update communities.

44. The Acting Chief Executive addressed a question Mr Kim Waters had asked during the meeting, querying whether the Board recognised the emergency with the initial numbers for Salmon in Wales for 2024. She noted that although the salmon were not specifically addressed in the business performance measures, there were measures that would help and the outcomes of the Corporate Plan should be looked at. The Principal Advisor, Fisheries would respond regarding the specific report that was highlighted by Mr Waters.

ACTION: The Principal Advisor, Fisheries to respond to Mr Kim Waters regarding the Salmon in Wales report 2024.

Public Meeting Closed

Board Action Log – Public

Action No.	Meeting Category	Meeting Date	Item No	Para No	Paper Sponsor	Action	Owner	Due	Status	Notes/Updates
46	Public	21/11/2024	5	11	Committee Chairs	ACTION: The Head of Evidence and Knowledge to provide the draft Evidence Strategy to the Board.	Chris Collins, Head of Evidence and Knowledge	23/01/2025	Ongoing	
47	Public	21/11/2024	5	15	Committee Chairs	ACTION: The Head of Marine Services and Development Planning Advice Service (DPAS) to provide information regarding a renewable energy development decision that had been made by PEDW.	Rhian Jardine, Head of Marine Services and Development Planning Advice Service (DPAS)	23/01/2025	Completed	The Head of Marine Services and Development Planning Advice Service (DPAS) sent this to the Secretariat, who forwarded this on to Board members on 21st November.
48	Public	21/11/2024	Public Q&A	44	N/A	ACTION: The Principal Advisor, Fisheries to respond to Mr Kim Waters regarding the Salmon in Wales report 2024.	Ben Wilson, Principal Advisor, Fisheries	23/01/2025	Ongoing	

NRW Board Paper

Date of meeting:	23 rd January 2025
Title of Paper:	Chief Executive's Report (Public Session)
Paper Reference:	25-01-B05
Paper presented by:	Ceri Davies, Acting Chief Executive
Purpose	Information and discussion
Summary	The paper provides the Board with an update on current issues.

Introduction

1. As we head into midwinter, the weather is keeping our teams exceptionally busy, with Storm Bert bringing strong winds, heavy rain and severe flooding in late November, followed by the devastating winds of Storm Darragh in early December. Teams across our organisation have been involved in incident management and monitoring, flood response, damage assessment and communication to ensure public safety, protection of property and the appropriate prioritisation of recovery work. I am incredibly grateful to all those who staffed rotas and worked through nights and weekends to deliver our services and respond to the storms. There is more detail on both our operational and communications response later in this report.
2. During visits to Skenfrith and Osbaston with the Cabinet Secretary for Climate Change and Rural Affairs immediately after Storm Bert, I saw first-hand the destruction and impact caused by the flooding in that area. I also visited Pontypridd with our flood risk management staff to see the significant impacts there, and then met with councillor Andrew Morgan leader of Rhondda Cynon Taf and his senior leadership team. We attended a number of ministerial multi-agency meetings following the storms, to start the process of reviewing the combined response and learning lessons. While there was some media criticism of the timeliness of warnings, particularly prior to Storm Bert, in general feedback for NRW has been very good and our tireless recovery work very much appreciated by affected communities.

3. I subsequently had a useful discussion with Simon Brown, Services Director at the Met Office, about dealing with significant but uncertain storm events, when accurate forecasting becomes extremely difficult. NRW will be working with the Met Office and the Flood Forecasting Centre to produce updated guidance.
4. In the final week of November, I attended the Royal Welsh Winter Fair. I met Elaine Heckley, Wales National Manager for Confor, Steve Griffiths of BaSC, Ian Rickman, Farming Union of Wales President, and Aled Jones President of National Farming Union Wales. With the farming unions, I discussed Dr Susannah Bolton's forthcoming independent review of the Water Resources (Control of Agricultural Pollution) (Wales) Regulations, and other concerns ranging from the closed period for slurry spreading and pressure on storage capacity in wet weather to the impact of flooding and flood solutions on agricultural land. The event was used by the Cabinet Secretary for Climate Change and Rural Affairs to announce updated proposals for the Sustainable Farming Scheme (SFS), following further consultation with the farming unions and other stakeholders. The final scheme will now be published during the summer of 2025, with the scheme launching fully at the start of 2026.
5. Also in November, I attended a Partnership Council meeting with our Trade Union representatives. This was a useful opportunity to take feedback on Case for Change communication and implementation, and we agreed to provide more explanation for the decision to stop the Senior Leadership Review. We will also be building a stronger direct relationship between our Trade Unions and our Board, to help improve high-level communication and consultation.
6. In the first week of December, I joined the IR35 Seniors meeting for the first time, a call that brings together key representatives from Welsh Government (WG), HMRC and NRW. During this period, good progress has been made in determining a way forward with the aim of resolving the issue within the 2024/25 financial year. External consultants Deloitte are providing advice and support in this process.
7. More generally, we continue to maintain strong working relationships and open communication with WG policy teams and our Sponsorship team. I speak regularly with Claire Bennett, Director Environmental Sustainability, and our Sponsorship Committee meeting in December focused on financial and operational performance and key change projects, including Case for Change and our plans for Board training and development.
8. I have also had meetings with water sector stakeholders, including Dŵr Cymru Welsh Water (DCWW) and Hafren Dyfrdwy (HD), and Ofwat Chief Executive David Black, with whom I discussed the communications around the PR24 Final Determination and how best to work together post publication. Water company performance continues to be a significant focus area for us. Following a constructive attendance at the DCWW Quality & Safety Committee in December, we have accepted an invitation to attend a future meeting of the HD Board to discuss

performance and a visit to Lake Vyrnwy has been proposed to look at some of the catchment issues there.

9. I attended the Public Bodies Chief Executives Meeting in December. This was a timely opportunity to meet other chief executives in person, in some cases for the first time. The meeting was used to discuss budget outcomes, areas for potential collaboration and future scenario planning. Our work with Public Health Wales on the Organisational Wellbeing Standard may be put forward as a potential agenda item for a future meeting.
10. I also met Lhosa Daly, Director of National Trust Cymru, in December. We agreed to bring our executive teams together to see if we can help the development of their new corporate plan, NRW having been through the same process very recently. I had an introductory meeting with the Future Generations Commissioner, Derek Walker, and Helen Nelson, Director of Strategic Planning, at which we agreed to seek a joint platform in the Senedd to promote our interim State of Natural Resources Report (SoNaRR) and the forthcoming Future Generations Report, to be published in April.
11. I have also had the first of a number of meetings with colleagues from the Network of European Environmental Protection Agencies (EPA), to start planning for the two plenary meetings this year – Vienna in April, and Cardiff in October. As hosts of the October meeting, we can propose agenda items and bring a spotlight to some of the key issues here in Wales, such as the legacy of our industrial landscapes. The April meeting will focus on the strategic role of EPAs, how we can build trust at a time of crisis and transition, and both the opportunities and challenges of artificial intelligence and digitalisation.
12. In my role as Acting Accounting Officer, I have had initial meetings with Adrian Crompton, Auditor General for Wales, and separately with Matthew Edwards, Audit Wales' Financial Audit Director, and Audit Manager Emma Woodcock. These discussions have been very helpful in developing my knowledge of the Accounting Officer role and responsibilities, and included an update on some of the emerging risks on our Organisational Risk log.
13. Internally, our Wellbeing Health & Safety Committee took place in mid-December. We took a different approach to the agenda, focusing initially on a review of risks and issues, and grouping similar items together to promote more efficient discussion. The meeting included a good review of our Serious Incident Reports, the process for these reviews has received a substantial internal audit opinion.
14. Case for Change implementation continues, with the focus now shifting to finding roles for displaced colleagues via expressions of interest against the significant number of vacancies that remain in our structure. Our Human Resources and Recruitment teams continue to provide structure and robust support for this process, with additional training being provided for line managers who may be

involved in individual consultation and redundancy processes over the months ahead.

15. Very sadly, in November we lost our much-loved colleague Rhys Jenkins, a team leader in our Land Management team, who lost his life in a road traffic collision. Gareth O'Shea and I attended the funeral in December, alongside many of Rhys' immediate colleagues. It was a difficult and very moving day, and I am especially grateful to our interim Head of Communications, Meinir Wigley, for reading a tribute in remembrance of Rhys on behalf of NRW. Rhys was also a rugby coach and referee, and a devoted husband and father to his young family.
16. In December we sadly lost another much-loved colleague Bruce Theobald, a specialist adviser in our Estate Standards team. Bruce had devoted his long career to forestry management and was a nationally recognised expert on forest establishment and restocking. He leaves his wife and two daughters, and many devastated colleagues.

Strategic Issues

Nuclear Industry Liaison Group (NILG)

17. In November, NRW hosted a meeting of the Nuclear Industry Liaison Group (NILG) in Cardiff. The group meets twice a year to facilitate discussions between nuclear site operators and UK environment agencies, as well as other regulators. NILG plays a crucial role in fostering collaboration and information exchange within the UK nuclear sector, ensuring that industry operators and regulatory agencies can effectively address challenges and adapt to changes in the nuclear landscape. We led on discussions on sustainability and our own Net Zero plan, which sparked significant interest.

Ofwat Price Review 24 Final Determination

18. As we approach a new investment period for water companies, we have pushed for and secured record levels of much-needed investment in the environment, targeting operations that have the most impact on our waters. Ofwat published their Final Determinations during December, and have approved £1.7 billion expenditure for the National Environment Programme (NEP) in Wales, including:
 - £192 million for reducing nutrient pollution
 - £1.1 billion towards reducing harm from storm overflows
 - £88 million on expanding wastewater treatment works, and
 - £14 million on restoring peatlands.

This is a significant increase from the £234 million approved in PR19, five years ago. The agreed water company business plans will be delivered from 1 April 2025 to 31 March 2030.

Our Water Plans for Wales

19. Our River Basin Management Plans (RBMPs) set out what we know about our rivers, lakes, canals, ground waters, estuaries and coastal waters, what we need to do to improve them and how we will do this. Under the Water Framework Directive Regulations, we are required to update the plans every six years, with a schedule of public consultations to establish who wants to be involved in the process, and then what needs to be done. The first of these consultations, our Working Together Consultation, closed in December and will help us to identify who wants to be engaged in the process of developing our future plans. The Challenges and Choices Consultation will start in June 2025, with the final consultation on the draft updated RBMPs running from June 2026.

Teifi Demonstrator Project Update

20. Following a successful Expression of Interest for the development of a National Lottery Heritage Fund proposal in October, we have been invited by the National Lottery to submit a full application within the next twelve months. The *Teifi Fyw – Pobl a Natur gyda'i gilydd / Living Teifi – People and Nature Together* project aims to conserve and enhance the heritage of the Teifi catchment, placing communities at the centre of collaboration to achieve environmental and cultural restoration. The seven-year, £11 million project will be match-funded by DCWW and Ofwat, and is seeking £7 million from the National Lottery and £1.5 million from WG.

Independent Commission and Review of the Water Sector

21. In October, the UK and Welsh Governments launched an Independent Commission on the water sector and its regulation. The Commission will be chaired by former Deputy Governor of the Bank of England, Sir Jon Cunliffe, and aims to deliver a long-term approach to regulation and policy in the water sector, ensuring it meets the needs of customers and the environment. The Commission will consult experts in areas such as the environment, public health, engineering and economics, as well as customers, investors and the wider public. Its recommendations will form the basis of further legislation.
22. We welcome the objectives set for the Commission, which recognise the need to deliver transformative change and to adopt a collaborative, strategic, catchment-based approach to managing water, tackling pollution and restoring nature. Improved delivery for clean waters and delivering a resilient infrastructure, anticipating future needs and climate challenges, are also included.
23. Our Chair and Acting CEO met Sir Jon Cunliffe during November, marking the start of our contribution to this vital review.

Strategic Approach Fisheries and Aquaculture

24. In December, the Cabinet Secretary for Climate Change and Rural Affairs issued a Written Statement on WG's strategic approach to fisheries and aquaculture. The statement noted that following the UK's exit from the EU and the Common Fisheries Policy, the Fisheries Act 2020 created a framework for the management of UK marine fisheries and aquaculture. WG's marine fisheries work is now framed around the Act's Fisheries Objectives, with policies for delivering the objectives set out in the Joint Fisheries Statement published in November 2022. These include the publication and delivery of Fisheries Management Plans (FMPs) to ensure the sustainable management of Welsh sea fish stocks based on evidence.
25. The Cabinet Secretary is clear that FMPs are the Fishery Division's priority work area for the remainder of the Senedd term, alongside wider WG priorities including nature and climate emergencies and delivering their statutory duties. WG will continue to support the industry-led sustainable growth of the aquaculture (shellfish and seaweed) sector through marine planning and funding initiatives and the Written Statement highlights the ongoing need for wider action to protect vulnerable salmon and sea trout stocks, including a focus on improved water quality.
25. NRW will continue to work closely with WG to develop and synthesise evidence through initiatives such as the Assessing Welsh Fisheries Activities and Assessing Welsh Aquaculture Activities projects. We will also support WG's strategic approach to marine fisheries and aquaculture through the Ministerial Advisory Group for Welsh Fisheries and various FMP implementation groups.

Sustainable Farming Scheme (SFS)

26. In November, the Cabinet Secretary for Climate Change and Rural Affairs announced an updated outline plan for the SFS. The proposed scheme outline has been published on the WG website and the latest update contains important changes to previous proposals following a period of partnership working with the farming unions, environmental groups and other stakeholders on the Ministerial Roundtable and supporting groups, including the Carbon Sequestration Panel.
27. The main changes include:
 - A Universal layer has been retained but with a reduced overall number of Universal Actions and additional Optional and Collaborative Actions for those who choose to do more. The number of Universal Actions has been reduced to twelve, with changes to many of them.
 - The 10% farm-level target for tree cover has been removed and will be replaced by a scheme-wide target, which will be agreed after discussions with the Ministerial Roundtable, and a new Universal Action for a tree planting and hedgerow creation opportunity plan. Farmers who apply will be able to decide where they want to add more trees / hedges on their farm and get funding to support them, through the Optional layer of the scheme. The requirement for farmers to manage at least 10% of their farm as habitat has been maintained.
 - The Animal Health, Welfare and Biosecurity actions have been merged into a single simplified Universal Action to focus discussions with the farm vet on

improved animal health and welfare outcomes. The requirement for all farms to have wash stations has been changed to an Optional Action, recognising that the biosecurity need of individual farms can be very different.

- Confirmation that additional payments for social value will be made under the Universal part of the scheme. This will represent the wider benefits which come from a sustainable agricultural industry.
 - Taking account of Sites of Special Scientific Interest (SSSIs) and common land rights in the Universal Payment. Further support for both will also be available as Optional and Collaborative Actions.
28. We continue to work closely with WG to provide advice and evidence for the design and delivery of the scheme. As part of this, we have set up a pilot project to test a process for the creation of Management Plans on Designated Sites. Current proposals for SFS requires each holding located with or within a Designated Site to have a bespoke plan. The pilot will run until the end of March 2025 in collaboration with Rural Payment Wales.

Recent Permitting Appeals

29. There have been several recent appeals to Planning and Environment Decisions Wales (PEDW) relating to NRW permitting decisions. Following hearings, the Inspector has now issued decisions for appeals lodged by Platts Agriculture Ltd, Canal & River Trust, and Radnor Hills Mineral Water Company Ltd. Only the latter appeal was upheld. The decisions have confirmed the robustness of our approach in delivering environmental and ecological protection including appropriately taking into account the Well-Being of Future Generations (Wales) Act 2015.
30. We are now reviewing the lessons learned, considering the implications for our policies and processes, and delivering actions required by the Inspector. The Radnor Hills decision hinged on new information submitted during the lengthy determination process and we accept the Inspector's view. In all cases, the Inspector found that NRW had acted reasonably in issuing the licences and throughout the appeal process, therefore any claims for costs against NRW have been rejected.
31. We are awaiting decisions relating to three further permitting appeals by Canal & River Trust, after hearings held in December. In addition, a Water Quality permitting appeal hearing is planned for February 2025.

Nature and Climate Emergencies (NaCE) Capital Delivery Programme

32. The NaCE programme has a budget of £27.6 million. By October 2024, spend to date was £11.8 million. Within the portfolio, the Peatlands Programme budget has recently been reduced by £750,000 due to delays in recruitment into planned roles. All other programmes are due to spend and deliver against budget and to plan, and we have extended 66% of the fixed term appointments by twelve months (to March 2026) to support delivery.

33. We have an opportunity to bid into additional money from WG for the NaCE programme, which will help relieve pressure on next year's budget. Conversations are underway regarding next year's budget, with the intention from WG to look at multi-year grant offer letters for the Water Quality programme.

Operational Issues

Storms Bert and Darragh

34. We have been kept extremely busy in this period with severe weather events. Towards the end of November, Storm Bert brought heavy rainfall and impacts in many areas, particularly in South Wales, with reports of over 700 properties flooded across a number of local authorities (Rhondda Cynon Taf, Caerphilly, Blaenau Gwent, Monmouthshire and Merthyr Tydfil being most impacted). We issued 65 flood alerts, 68 flood warnings and two severe flood warnings in connection with this storm. The rapidity of river response to the heavy rainfall stretched all responders, and is a feature we will see more of with more extreme and rapid rainfall events.
35. Storm Darragh came just two weeks later, with 65 flood alerts, 29 flood warnings issued and a rare red weather warning for wind impacts, which resulted in significant damage across some areas of the WG Woodland Estate (WGWE). Primarily affecting plantations, we have seen large areas of windblow and windsnap across whole stands of trees across much of Wales. The storm resulted in blocked public roads and third-party access routes, downed powerlines across our land and blocked forest roads and recreational trails.
36. Since the storm, operational teams have been working hard on key priorities, including removing our trees blocking public roads and residential access. Inspecting our forests has been challenging, with forest roads impassable in some areas; satellite images and drone flights have helped to provide a broader picture. We are working with WG who have commissioned remote sensing analysis of windblow across both public and private forests across Wales, including areas we haven't been able to visit. This information will be available in January and will provide an estate-wide estimate of the scale of windblow.
37. By mid December, our assessment revealed that:
- Public roads affected by our trees are open with the exception of one site where work is ongoing, with a safe temporary alternative arranged. Access to sites for ongoing forest operations is mostly clear.
 - During the storm, we closed access to the public so far as we could on a largely open-access estate. We are gradually re-opening the forests whilst advising that car parks and trails may continue to be closed to enable our teams to work safely.
 - Around 600 hectares of our forests (0.5% of the WGWE) are significantly affected by storm damage (i.e. most trees have blown over). This equates to around 300,000 to 400,000m³ of timber, or about 50% of our annual

production. The scale of intermittent windblow affecting areas where the majority of trees still remain standing is being assessed.

- We will bring the blown and snapped timber into our harvesting programmes over the next two to three years. We are assessing the implications for overall volume and income. The restocking programme is so far largely intact.
38. Taken as a whole, the storm caused widespread damage in our forests across much of Wales, although South Central and South East saw little or no impact. The National Nature Reserves in our direct care were relatively unscathed, being composed of habitats that are more resistant to high winds. On a positive note, the collaborative working between teams across NRW and with contractors and local authorities has been highlighted by many teams as a success, and we have also received praise from affected residents. After a significant windblow, forestry at its best moves smoothly and safely into cost effective action and makes good decisions to build long-term resilience; at its worst it is a rush to realise timber value. We are leading by example on forestry at its best.
39. There has been intense public, media and political interest in the response to the two storms. We have attended de-briefing sessions with the First Minister and Deputy First Minister alongside local authority leaders and others involved in the response. We also gave evidence at a Welsh Affairs Select Committee session on flooding in Wales, held on 18 December; NRW was represented by Jeremy Parr, Head of Flood and Incident Risk Management.
40. As always with incidents of such a scale, there is a significant amount of recovery work and responding to queries after the event. We performed well, but we recognise that these events and the aftermath do stretch us and are tiring for all colleagues involved. As is standard with significant incidents, we are undertaking our own lessons learned review and will make improvements where needed and possible.

Binea Prosecution

41. NRW were in court early in December for the prosecution of DCWW for a spill that affected the Burry Inlet cockle beds. The pumping station we took action against held a permit which stated that they could spill in an emergency situation if there was a failure in the rising main leading to it, unless DCWW had defaulted. There had been a failure in the rising main and we took the case on the basis they did 'default' by not installing stronger pipes as set out in their business plan. We submitted that they knew ahead of time that this pipe posed a significant risk and had planned to replace it, but did not do so.
42. The defence argued, and the magistrate agreed, that we could not prove without expert analysis that the pipe had fractured due to its material and therefore could not prove that there was a non-compliance with the permit. Our Legal team are reviewing the implications of the case, and have commended our officer who

presented evidence as an expert witness at the hearing and was cross-examined for two hours.

Severn Valley Water Management Scheme (SVWMS)

43. Over the past few months, the SVWMS team have significantly ramped up engagement to ensure that communities and partners are central to the development of a long-term water management strategy. With the launch of a new interactive website, the roll out of community roadshows, including events attended by NRW colleagues in Newtown, Llanidloes and Meifod, and a series of technical workshops, the team are gathering views, ideas and opportunities to help shape the future direction of the SVWMS.
44. By bringing together the engagement work and the technical evidence base, a series of strategic scenarios are being developed to demonstrate the different ways that water can be managed across the upper Severn catchment. Work to date is now being developed into a strategy ahead of a formal consultation period in spring / summer 2025. Through the SVWMS Strategic Leads Group, NRW continues to ensure that the priorities of NRW and WG are considered as the scheme develops.

Bathing Water Classifications 2024

45. In December, WG announced the 2024 Bathing Water Classifications for Wales. 108 of 110 bathing water sites achieved at least the sufficient standard under the Bathing Water Regulations, equivalent to 98% compliance, which is comparable to the 2023 season. Two sites – Ogmores-by-Sea and Rhyl – were classed as Poor in 2024; for these sites, we will evaluate the evidence and determine what actions are needed to improve water quality.
46. Jackson's Bay at Barry moved from Sufficient to Good, and Watch House Bay moved from Poor to Sufficient. Though we welcome the changes, there is a recognised variability in bathing water quality across Barry due to the large urban catchments. We are pleased to report also that the work carried out at Marine Lake has moved the classification from Sufficient to Good this year.

Radioactivity in Food and the Environment (RIFE)

47. In November, the Radioactivity in Food and the Environment report was published by the UK Government. This is a public-facing report concerning radioactive discharges across the UK from both nuclear and non-nuclear sources. There were no issues of concern for Wales and the two decommissioning nuclear sites in Wales are demonstrating a generally decreasing trend in monitored radioactivity. Reported total doses remained broadly similar year-to-year and were well below the legal dose-limit.

UK Woodland Assurance Standard (UKWAS) Version 5

48. UKWAS is a dynamic forestry standard that is regularly updated to reflect developments in the consensus on sustainable forest management in the UK. Programme for the Endorsement of Forest Certification UK (PEFC) have completed their endorsement process and confirmed that they are able to move forward with the adoption of UKWAS v5 as a PEFC-compliant standard for the UK with an effective date of 1 December 2024. However, Forest Stewardship Council International (FSC) have indicated that they are not in a position to endorse UKWAS v5 within the same time frame.
49. NRW is dual certified. We are managing the transition to UKWAS v5 (an enhancement of v4) by updating our guidance and sharing the information with colleagues who manage our forests. The 2025 audit will be to both UKWAS v4 and v5 (unless FSC endorse v5 prior to the audit date – to be confirmed early in 2025).

Communications

Corporate Communications

50. The communication of the outcome of the Case for Change to colleagues and external stakeholders dominated the early part of this period and required significant time and resource. In particular, the proposed changes to our Visitor Centre services and public drop-in sessions attracted significant interest from the media and campaign groups. The Communications team supported the Commercial team in the promotion and management of issues around these events. We continued to work with Correspondence and Public Affairs colleagues to ensure consistency in the responses we give to the steady stream of queries on this issue.
51. The public and online drop-in events relating to the proposed new National Park continued throughout this period. The Communications team supported the Designated Landscapes team by attending the highest profile events and advising on responses to media queries triggered by interested stakeholders.

Communities are Resilient to Climate Change

52. Significant time and resource was dedicated to warning and informing communications ahead of and during Storms Bert and Darragh, the recovery process and to populating duty rotas. The impact of these storms in Wales triggered significant national and regional media interest, with over forty media interviews conducted during the course of both storms.
53. The time and effort invested in promoting our Flood Warning and Informing Services with Local Resilience Forum partners and media during our #BeFloodAware week paid dividends as our resources and messages were fresh in the mind. While the storms triggered difficult questions around NRW's capabilities, they have crucially allowed us to highlight key messages around our online flood services, the work

that goes on to inspect and repair assets following such events, and the challenges around managing future flood risk.

54. Efforts to engage stakeholders and the public in how we manage climate-induced flood risk was also delivered through our work with WG, the EA and Defra in the announcement of the Reservoir Safety Reform Programme. The importance of taking a partnership approach to managing the future flood risk in the Severn Valley was also highlighted during the first drop-in sessions for the Severn Valley Water Management Scheme.

Pollution is Minimised

55. Managing the narrative and messaging around the publication of our Annual Regulation Report was a key focus of this period, given the increasing focus on our regulatory activity. The creation of infographics to support the publication ensured we were able to highlight both our achievements and the challenges that the climate, nature and pollution emergencies will continue to bring in the future.
56. The focus on waste management continued in November as we worked closely with *Y Byd ar Bedwar* programme producers to highlight the important work we do to tackle waste crime. Our briefings with the programme not only provided an opportunity to highlight the breadth of work we do in this area, but also allowed us to influence the programme makers in their messaging and share key messages about the implications of waste crime and the role the public has to play in ensuring they know where their waste ends up.
57. A significant amount of resource during this period was dedicated to the planning and preparation of communications for stakeholders, colleagues and the public ahead of the publication of the Bathing Water Classifications. This included working closely with local partners in areas where classifications either dropped or improved on joint communication to highlight the shared commitment to improving the quality of our waters.
58. In December, a year on from the first reports of odour issues at Wwithyhedg Landfill, we led the delivery of a public drop-in session alongside our partners, Public Health Wales and Pembrokeshire County Council, to update on progress made in managing issues at the site. The session was designed to provide reassurance to local communities regarding the future management of the site and that investigations into permit breaches were continuing.
59. We ran a social media campaign during this period to highlight ongoing visits to businesses on Wrexham Industrial Estate, to offer advice and to ensure pollution prevention measures are in place to protect watercourses. A podcast series focusing on the work of our Ceredigion Environment team is also continuing, showcasing the wide range of work carried out by the team, including conservation and incident response.

Nature is Recovering

60. Efforts to restore Wales' rivers and support nature's recovery were a key focus in this period. The ongoing work of our River Restoration Programme was highlighted by the Deputy First Minister during a visit to the Nant Dowlais scheme, and plans to support fish migration on the River Usk were the focus of a Four Rivers 4 Life drop-in session in Brecon. The impacts of the Water Capital Programme fund and successful partnership working with landowners to restore nature were also highlighted during this period through promotion of the Western Cleddau project.

Forward Look

Thursday 30 / Friday 31 January – Evidence Conference

Thursday 6 February – Finance Committee

Tuesday 11 February – Land Estate Committee

Wednesday 12 February – Board Update Call

Thursday 13 February – Protected Areas Committee

Wednesday 19 February – People and Customer Committee

Wednesday 5 March – Finance Committee

Tuesday 11 March – Audit and Risk Assurance Committee

Wednesday 19 / Thursday 20 March – March Board Meeting

NRW Board Paper

Date of meeting:	23 rd January 2024
Title of Paper:	ARAC Update for Board
Paper Reference:	25-01-B06
Paper sponsored by:	Kath Palmer, Chair of ARAC
Paper prepared by:	Board Secretariat
Paper presented by:	Kath Palmer, Chair of ARAC
Purpose of the paper	Information
Summary	To provide an update to the Board in respect of 13 December 2024 ARAC meeting.

Background

1. This update for the Board is in respect of 13th of December 2024 Audit and Risk Assurance Committee (ARAC) meeting. Board members can access all Committee papers and minutes via the Diligent portal.

Update

Audit Wales

2. Audit Wales provided an update including the planned audits in the Audit Wales 2023-26 plan and that the Internal Drainage Districts (IDDs) work had been completed. ARAC had asked for a briefing note and Board webinar on IDD's to be arranged.

Risk Management

3. ARAC were informed that the Internal Audit (IA) team would conduct a Risk Management Framework review, and that the Board would discuss the Strategic Risk and Assurance Register (SRAR) in their January meeting.

4. The Quarterly Risk Management Update included the recalibration of the risk deep dives at the Committees and that the recent risk training had been well received by staff. It was suggested to incorporate a horizon scanning/risk management session at the March Board meeting. ARAC scrutinised and discussed the SRAR and the Organisational Risks and Issues Log.

Governance Action Plan

5. ARAC were informed of the context of the Board Governance Working Group, the purpose of the Group, the Governance and Risk Action Plan and ARAC's role in its management. The new format for the January Board agendas were presented to ARAC and these were agreed. ARAC also agreed to have oversight of the Governance and Risk Action Plan and the Welsh Government Action Tracker.

Internal Audit

6. ARAC were provided with the IA Quarterly Report and approved changes to the IA Plan 2024-25 including the addition of three reviews and the deferral of an audit to 2025-26. ARAC were also presented with the 2025+ IA Plan and discussed pressures on the organisation with the planned audits and the ongoing Case for Change (CfC). Discussion was had on the need for a culture audit and it was agreed that the People and Customer Committee (PCC) should consider this with the cultural drivers.
7. Four IA reports were received, three provided a moderate opinion and one provided a substantial opinion. An overview of the overdue IA actions were also presented and ARAC scrutinised and discussed these.
8. Two follow up audits on workforce planning and stakeholder engagement had been deferred to early 2026. It was agreed to escalate concerns and risks over resources in these areas to Board.

Finance Update

9. ARAC were provided with the Quarterly Finance Report which included an update on the 2024-25 Annual Accounts, IR35 update, counter fraud and financial governance update and the losses, special payments and the single tender actions. A lessons learnt on IR35 was asked for and will be added to the forward work plan.

Case for Change Outcomes and Risks

10. ARAC were informed of how risk had been considered and factored into the process so far and the proposed outline approach to managing risks following the CfC. PCC would have regular updates and the Board would also be updated on the CfC risks when the SRAR was reviewed.

Contract Management Support Service Update

11. ARAC were provided with an update on the work of the Contract Management Support Services (CMSS). Discussion took place around the culture with contract management and the CMSS team would continue to work with the organisation to improve and streamline processes.

NRW Board Paper

Date of meeting:	23 rd January 2025
Title of Paper:	Finance Committee Board Update
Paper Reference:	25-01-B07
Paper sponsored by:	Helen Pittaway, Board Member
Paper prepared by:	Board Secretariat
Paper presented by:	Helen Pittaway, Board Member
Purpose of the paper	Information
Summary	To provide an update to the Finance Committee (FC) – 5 th December 2024

Background

This paper provides an update to the Board following the FC meeting on 5th December 2024. The minutes from these meetings can be made available to any Board member interested.

Financial Performance Update

1. The risks, opportunities, and variables that could impact NRW's financial performance in 2024-25 were presented along with the progress against the savings target in the Case for Change (CfC).
2. FC requested information on the financial implications of storm Bert. It was confirmed that NRW had bid for additional funding from Local Government in the past to support extreme events recovery. There was an action to supply further information on the impacts once Flood colleagues had been consulted.
3. Following a discussion on an underspend in water resources, the justification for the increased in flexibility of water charges was explained. FC suggested that NRW should try and spend charges income on the intended area and make clear if it cannot be used in that area before applying it elsewhere.

Financial Proposals

4. The Committee endorsed a three-year grant funding proposal for the National Peatland Action Grant Programme which was strategic initiative to restore peatlands and aligned to NRW's Wellbeing Objectives.
5. FC queried if the Programme would be impacted from the Case for Change and discussed peatland in terms of green finance, as it could deliver better carbon capture than tree planting. The holistic approach of the wider Peatland Programme was welcomed by the Committee who suggested that a peatland case study, as part of the Resilience to Climate Change Wellbeing Objective (WBO) deep dive, could be beneficial.
6. Updates on a Marine Vessel Service: Single Tender Action and the Microsoft Service Agreement were provided. A paper on the Marine Vessel Service would be presented at the next meeting and the increase in the Microsoft Service Agreement, due to the introduction of the Strategic Partnership Agreement, was noted.

Budget and Business Planning 2025-26 update

7. The 2025-26 budget timeline, outlook and key assumptions for all funding sources were outlined along with the key assumptions, financial context, revenue affordability for 2025-26 and the potential financial pressures.
8. FC discussed the timber budget and registered concerns that if there was underspend on the Land Stewardship budget, then it could affect subsequent years.

NRW2030 Update

9. An update on NRW2030 was provided including registering a frustration in the team with the delivery of the Programme. This was due to the recruitment of key project delivery roles. An update on the new Digital, Data and Technology (DDaT) function team and an update on the Marine Alfa licensing service that would improve the customer interface and formed the foundation of the customer platform were also provided.
10. The Committee discussed the organisational stabilisation the Programme was providing including cyber security and the ambition to progress towards transforming. However, it was acknowledged that this could only be achieved with proper funding of the Programme. The Committee suggested that the Programme should be discussed at Board.
11. Following a request, further information on the new DDaT team was provided.

Tŷ Cambria Exit Strategy Update

12. A brief verbal update was provided by the Head of Business Support Services and Adfywio on the exit from Tŷ Cambria including outlining the potential options that would be presented in a paper to Board.

NRW Board Paper

Date of meeting:	23 rd January 2025
Title of Paper:	People and Customer Committee (PCC) Update
Paper Reference:	25-01-B08
Paper sponsored by:	Mark McKenna, Chair of PCC
Paper prepared by:	Board Secretariat
Paper presented by:	Mark McKenna, Chair of PCC
Purpose of the paper	Information
Summary	To provide an update to the Board in respect of 10 th December 2024 PCC meeting.

Background

1. This update for the Board is in respect of the 10th December People and Customer Committee (PCC) virtual meeting. Board members can access all Committee papers and minutes via the Diligent portal.
2. The Committee noted and appreciated the hard work and resilience of all staff who helped to respond to the recent storm events.

Verbal Update on Current Risks and Issues

3. PCC were provided with verbal updates on current risks and issues. The Executive Director of Communications, Customer and Commercial updated PCC on the utilisation of different social media platforms, a new customer platform currently in development, and the opportunities within the organisation to find efficiencies and aid innovation. The creation of a Data, Digital and Technology (DDaT) service was highlighted.
4. Board members had been encouraged to attend staff training sessions.
5. The Executive Director of Corporate Strategy and Development updated PCC on items around People Management and recruitment and the challenges being faced.

6. Streamlining processes would help staff to deliver on external expectations and discussions were ongoing with Welsh Government (WG) on priority areas.

Strategic Risks

7. PCC welcomed and discussed at length the three Strategic Risks pertinent to PCC's remit.
8. The current controls and planned actions were explained and PCC challenged the risk score and timeframe and made suggestions for lessons learned and interaction with higher education. The priorities and challenges were outlined and the Committee appreciated the mitigations put in place and understood there would be continuous improvements. It was understood that there would always be a level of risk associated due to the nature of the business. The guidance and presentation of the risks had been welcomed.

People Strategy

9. PCC were presented with the progress against delivering the current People Strategy. The new Strategy would align with the Corporate Plan with feedback from the Ein Llais survey being considered. Success of the outcomes, as outlined in the Strategy, needed defining and PCC suggested incorporating key performance indicators (KPIs) to measure success; PCC also provided suggestions on best practice.

Information Items

10. PCC welcomed the People Management Information, requesting performance information from the Learning Management System. The team were congratulated on the Serious Incident Review Internal Audit, which had received a substantial opinion.

Forward Look and AOB

11. Items for future meetings were discussed.
12. PCC approved the proposed amendments suggested by the Environment Agency Pension Fund (EAPF) Administration Manager and approved the updated Local Government Pension Scheme Discretionary Policy.

NRW Board Paper

Date of meeting:	23 January 2025	
Title of Paper:	Wales Land Management Forum (WLMF) Update	
Paper Reference:	25-01-B09	
Paper sponsored by:	Professor Rhys Jones, WLMF Chair	
Paper prepared by:	Bronwen Martin, Specialist Advisor: Agriculture	
Paper presented by:	Professor Rhys Jones, WLMF Chair	
Purpose of the paper	Information	
Approval/Consultation process:	Responsible: Who has developed the paper/process and who has had input?	
	Accountable: Who is accountable for the ultimate approval? Who will be or is being asked to approve?	
	Consulted: Who has been consulted to date? Where endorsement is required, is this in place? Will further consultation be required?	
	Informed: Who has been informed or who needs to be further informed about the work?	
Summary	Summarise what considerations, decisions, and actions you are seeking from the committee.	

Wales Land Management Forum (WLMF)

1. The Wales Land Management Forum (WLMF) meetings take place four times per year, and they provide an opportunity for Natural Resources Wales (NRW) and other WLMF membership organisations to share information, identify common interests and work together in a collaborative way on strategic land management issues.

[Natural Resources Wales - Wales Land Management Forum \(WLMF\)](#)

Update

9th December 2024 meeting

2. The most recent WLMF meeting was held on Monday 9th December 2024. The meeting had a forestry focus and included the following presentations/discussions:
 - National Forest for Wales (Stacey Delbridge, NRW)
 - Sustainable Farming Scheme: Forestry (Naomi Matthiessen, Welsh Government)
 - Timber Industry Strategy and Associated Skills Plan (Gail Merriman and Ann Burgoyne, Welsh Government)
 - Deer & Squirrel Management (Chris Tucker, NRW)
 - 'A case study of woodland creation' (Iwan Parry, Tilhill)
 - 'How the Private forestry sector works alongside NRW' (Iwan Lloyd Williams, Confor)
3. The next WLMF meeting will be held in March 2025 (date TBC).
4. Once the meeting minutes have been reviewed and formally agreed by members, they are published on the WLMF page on the NRW website.

WLMF Sub Group on Agricultural Pollution

5. The primary purpose of the WLMF Sub Group is to identify opportunities to eliminate agricultural pollution in Wales whilst maintaining a thriving farming sector following five key themes (advice & guidance, voluntary approach, regulation, innovation, and investment), and working in collaboration with a range of agricultural and environmental stakeholders.

[Natural Resources Wales - Wales Land Management Forum \(WLMF\) Sub Group on Agricultural Pollution](#)

Update

18th November 2024 meeting

6. The WLMF Sub Group meeting held on 18th November 2024 was solely focused on The Water Resources (Control of Agricultural Pollution) (Wales) Regulations 2021: 4-year review. The Independent Chair, Dr Susannah Bolton provided an update on the review and provided an opportunity for the group to engage with the process by posing a series of questions for them to consider and discuss.

16th December 2024 meeting

7. The most recent meeting was held on Monday 16th December 2024. This meeting included the following items:
 - A pre-presentation discussion around the Source Apportionment-GIS (SAGIS) Tool. Dean Roden, NRW joined the meeting to understand what the group want from a future presentation regarding SAGIS modelling.
 - Upper Wye Catchment Restoration Project Presentation (Nick Young, NRW).
 - Intensive Poultry Emission Factors Update (Alison Soper, NRW).
 - Update on The Water Resources (Control of Agricultural Pollution) (Wales) Regulations 2021 4-year review process (Dr Susannah Bolton, Independent Chair).
8. The next WLMF Sub Group meeting will be held in January 2025 (date TBC).
9. Once the meeting minutes have been reviewed and formally agreed by members, they are published on the WLMF Sub Group page on the NRW website.

NRW Board Paper

Date of meeting:	23 January 2025
Title of Paper:	Wales Fisheries Forum (WFF) November 2024
Paper Reference:	25-01-B07
Paper sponsored by:	Prof Steve Ormerod, WFF Chair
Paper prepared by:	Ben Wilson, Principal Advisor Fisheries; Evidence, Policy and Permitting, Natural Resources Management Team
Paper presented by:	Prof Steve Ormerod, WFF Chair
Purpose of the paper	Information

Background

1. The Wales Fisheries Forum (WFF) meets three times a year and provides an opportunity for fisheries stakeholders and Non-Governmental Organisations to share evidence and opportunities for working together to achieve the sustainable management of Fisheries in Wales.
2. The remit of the group is:
 - a. To represent the range of stakeholders with an interest in the freshwater and diadromous fisheries resources of Wales and the work of Natural Resources Wales (NRW) and others to maintain, improve and develop migratory and freshwater fisheries in Wales.
 - b. To provide strategic advice to NRW, that reflects the views of fisheries interests. To inform NRW advice to Welsh Government (WG), including development of fisheries-related policy and strategy.
 - c. To review the performance of NRW's fisheries and associated work to ensure that anglers and fisheries interests have clarity that rod licence income and other funding is used to best effect to support delivery of NRW's statutory fisheries duty.
 - d. To consider the ecological, biological, and economic impact of emerging and new issues affecting our fisheries.

- e. To help disseminate information from NRW and elsewhere to angling and fisheries interests.
- f. To provide clear feedback from angling and fisheries interests to NRW and to facilitate information provision to those interests.
- g. To identify opportunities for partnership working and new funding.
- h. To support horizon scanning for anticipated new developments, opportunities, and risks, and to raise awareness of wider issues relating to freshwater and migratory fisheries management, for example marine fisheries.

Update

- 3. The most recent meeting was held virtually on 28th November 2024.
- 4. This was a shorter meeting than usual and focused on receiving updates from forum members.
- 5. The Meeting comprised the following Items:
 - a. Guy Mawle - Rod Catches of Salmon on the River Usk in 2024 and the status of the fishery. Rod catches were as bad as those in 2022 and 2023, the worst on record. The declared rod catch for the whole river in 2024, when available next year from rod licence catch returns, is predicted to be between 41 and 82 salmon. Guy postulated that it is not clear how long the Usk will have a viable salmon population and that without major improvements in salmon survival in the river and at sea, recovery seems improbable.
 - b. Gail Davis-Walsh - Work completed in 2023/24 and being progressed in 24/25 by Afonydd Cymru and the Rivers Trusts of Wales.



			Rhymney, Ogmore, Taff
Habitat Restoration (fencing, tree planting, floodplain restoration)	55	Dee, Usk, Wye, Teifi, Tywi, Clwyd, Seiont, Ogmore, Rhymney, Ely	

- c. Verbal update from Ben Wilson on NRW fisheries initiatives including
- i. Progress on NRW's Climate Resilient Fisheries Strategy
 - ii. Published salmon and sea trout stocks for 2023
 - iii. NRW fisheries project delivery updates
 - iv. Update on plans for the NASCO Annual Meeting in Cardiff
 - v. Review of NRW external Fora
 - vi. Rod Licence Sales - 8% increase on this time last year
 - vii. Latest ICES advice on eel fishing and conservation
 - viii. Net Licence Duties for 2025 and 2026
 - ix. LIFE Dee River and 4 Rivers for LIFE project updates
 - x. Fish Eating Birds project update
 - xi. Buyer Beware communication initiative for restaurants
 - xii. Recent News Items, especially on fisheries enforcement cases.
 - xiii. Fisheries Forum Update paper available on request by emailing Fisheries.Wales@cyfoethnaturiolcymru.gov.uk

- d. Review of the 2020 All Wales Byelaws - Dave Mee, presented on the proposal to review the current salmon and sea trout byelaws in 2025

All Wales Byelaws introduced in 2020, following consultation in 2017 and inquiry in 2019. Mid-term 5-year review is now required.

Inquiry found the byelaws, necessary, proportionate, and reasonable in view of the decline of salmon and sea trout stocks throughout Wales.

Concomitant byelaws were subsequently introduced for the cross-border rivers Dee and Wye in Wales, along with the river Usk in 2021.

Scope: Has the status of stocks changed? Are stocks of salmon and sea trout still vulnerable? What has been the impact on the byelaws? Is there sufficient evidence to suggest a change in any of the measures?

Forum members advice sought on the scope of the review.

Evidence on the impact on fisheries.

Evidence to suggest a change in any of the measures?

- e. Up-dates from other Fora including:
 - i. WLMF: Subgroup on agricultural pollution - Creighton Harvey
 - ii. Water Forum – Steve Ormerod
 - iii. Recent analysis of NRW/EA monitoring data. - Steve Ormerod
- f. AOBs
 - i. Chris White – Catfish and Zander introductions to the Dee
 - ii. Ranunculus update – Dr Suzanne Hearn Freshwater Ecosystems and Fisheries Management Team Leader

9. Forward Look.

Suggested future WFF items will include:

- Salmon stock assessment review,
- Climate Resilient Fisheries Strategy
- Salmon smolt and shad tracking in south Wales. Dr D Clarke Swansea University

Date on next meeting: 14th March 2025

NRW Board Paper

Date of meeting:	23 rd January 2025
Title of Paper:	Wales Water Management Forum Update (WWMF)
Paper Reference:	25-01-B11
Paper sponsored by:	Steve Ormerod, WWMF Chair
Paper prepared by:	Ceri Jones, Lead Specialist Advisor: Catchment Management
Paper presented by:	Steve Ormerod, WWMF Chair
Purpose of the paper	Information
Summary	Highlights from the Wales Water Management Forum held on the 14 th November 2024

Background

1. An update from the Wales Water Management Forum (WWMF) was last provided in May 2024. The WWMF meets twice a year and provides an opportunity for the forum's membership organisations to share evidence and opportunities for working together to achieve the sustainable management of water in Wales - from source to sea. As well as ongoing discussion of regulatory issues and performance – for example with respect to the Water Environment (Water Framework Directive (WFD) (England and Wales) Regulations 2017 – broader aspects of water quality, water governance and water resources in Wales have been key themes.
2. WWMF also explores opportunities to develop, support and communicate shared messages and recommendations on the sustainable management of natural resources more generally alongside the Wales Land Management Forum, Wales Fisheries Forum (WFF), National Access Forum for Wales and the Wales Marine Advisory and Action Group.

Update

3. The most recent meeting was held virtually on the 14th of November 2024. The focus of this session was on member updates rather than more formal presentations. Focal

points included the water company updates with both Hafren Dyfrdwy and Dwr Cymru PR24 update. NRW gave an update on the River Basin Management Planning work including feedback from the first two sessions that the recently formed Task and Finish group, the group will meet every two months and is currently looking at the Cycle 3 progress review work and the Cycle 4 approaches. The purpose of the Task and Finish group is to also fill the gap we have since the River Basin Planning Liaison Panels were disbanded some time ago.

4. The Annual Mine Exchange Conference, which brings together mining practitioners and interest groups focused on abandoned metal mines in Wales, had been held in Cardiff the previous day so some of the slides were shared, the approaches to managing this work in Wales together with the techniques, application of WFD data and catchment approaches promoted much discussion including how these approaches could be applied to the approaches with the River Basin Management Plans (RBMPs). Water Resources West shared progress with their work, with the Water Resources Plan expected to be published in March 2025. There was opportunity to discuss some of the broader water matters set out in the supporting papers, of particular interest was the announcement of the Independent Commission into the water sector and its regulation Chaired by Sir Jon Cunliffe which has been included in the forward look.
5. The next WWMF meeting is scheduled to be a face to meeting with an option of a field trip on the 30th of April 2025. The forward look includes:
 - Follow up on the review of Fora survey which has now been completed
 - Feedback from the River Basin Management Planning Task and Finish group whose focus is the review of progress for Cycle 3 (2021-2027) and the Cycle 4 approaches (Working Together consultation which closed December 2024, and the Challenges and Choices consultation expected summer 2025
 - Independent Commission into the water sector and its regulation Chaired by Sir Jon Cunliffe
6. Meeting notes are made available on the NRW website page for WWMF.

Board Forward Look March 2025						
	Item	Private/ Public	Scope	Purpose	Time	Sponsor
1	Open meeting	Public and Private	Standing Item		5	Chair
2	Review Minutes	Public and Private	Standing Item		10	Chair
3	Chair's Update	Public and Private	Standing Item		10	Chair
4	CEO Update	Public and Private	Standing Item		30	Clare Pillman
5	Committee Updates	Public and Private	Standing Item		20	Chairs of Committees
6	Financial Approvals OFFICIAL SENSITIVE	Private	Approval	Approval of the latest financial items	15	Rachael Cunningham
7	Business Plan & Budget	Private	Approval	To approve the draft Business Plan and Budget	60	Rachael Cunningham
8	Strategic Risk and Assurance Register	Private	Discussion	To review the Strategic Risk and Assurance Register	30	Sarah Jennings
9	Review of Risk Appetite Statements	Private	Discussion	To review of Risk Appetite Statements	30	Sarah Jennings
10	Corporate Plan Impacts and strategic Indicators	Private	Discussion	To discuss the Corporate Plan Impacts and strategic Indicators	30	Prys Davies
11	Tata Steel UK: Port Talbot Site	Private	Discussion	To discuss a decision relating to management of a historic ferrous stockpile at Tata Steel	30	Ceri Davies
12	Recreation Strategy	Public	Discussion	To discuss the implementation of the recently agreed strategy	30	Ceri Davies
13	Board Business Management	Private	Discussion	To discuss Board and Committee business	15	Sir David Henshaw
14	Finance Report	Public	Approval	To review and update on financial performance	20	Rachael Cunningham
15	Business Plan Performance Dashboard Q3 Report	Public	Approval	To approve the Q3 Report	20	Prys Davies
16	Well being Health and Safety Q3 Report	Public	Approval	To approve the Q3 Report	20	Prys Davies
17	Regulation Q3 Report	Public	Discussion	To discuss the Q3 Report	20	Ceri Davies

Board Forward Look March 2025						
	Item	Private/ Public	Scope	Purpose	Time	Sponsor
18	AOB	Public and Private	Discussion		5	Chair
19	Interactive Q&A Session with Public	Public	Standing Item	To provide an opportunity for the public to speak to the Board	20	Chair

NRW Board Paper

Date of meeting:	23 January 2025
Title of Paper:	Finance Performance Report
Paper Reference:	25-01-B13
Paper sponsored by:	Rachael Cunningham, Executive Director of Finance and Corporate Services
Paper prepared by:	Rob Bell, Head of Finance; Mark Collins, Business Finance Manager
Paper presented by:	Rob Bell, Head of Finance
Purpose of the paper:	Approval (change in forecast) / Discussion (Financial Performance)
Summary	<p>To approve:</p> <p>Change in the latest forecast from £272.9m to a forecasted £275.3m.</p> <p>Make a payment to the EAPF of upto £7m, the funding to be provided by Welsh Government.</p> <p>To scrutinise:</p> <p>Financial performance to the end of November 2024.</p>

Background

- The Finance Performance report provides detail on progress across the different types of income, expenditure, and programmes. Annex A summarises the key messages in respect of:
 - Change in budget forecast compared to the previous approved forecast (September).
 - Performance to the end of November 2024.

Risks and opportunities

- We hold a risk in the Finance and Corporate Services Risk Register for 'in year spend'. This also links to the strategic risk "Failure to achieve financial stability".

For this financial year, risks of overspend have been mitigated through actions taken by the Executive Team and additional funding from Welsh Government.

3. The wider implications are:
 - (a) **Finance:** This report is about the financial performance of NRW. We hold a risk within the Finance and Corporate Services Directorate Risk Register.
 - (b) **Wellbeing of Future Generations Act (WBFGA):** Every component of the budget contributes to one or many of our Wellbeing Objectives.

Next Steps

4. Executive Team will continue to monitor the principal risks and opportunities within the budget.
5. This report is produced every two months for the Board and Executive Team.

Recommendations

6. Board to approve changes to the latest forecast, from £272.9m to £275.3m.
7. Make a payment to the EAPF of upto £7m, the funding to be provided by Welsh Government.
8. Board to scrutinise financial performance to the end of November 2024.

Index of Annexes

Annex A – Financial Performance Report



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



NRW Board – 23 January 2025

Financial Performance Report – November 2024

Content and Key Messages

Update will cover:

1. Update on the latest forecast changes as at November 2024 compared to the opening budget. Endorse change in forecast since the last revised forecast was agreed - from £272.9m to £275.3m.

2. Financial Performance as at November 2024.

3. Update on contingencies and under/over programming.

4. The main risks and opportunities to our budget this year are covered in a separate slide.

5. Recommendation that we pay the additional EAPF pensions contribution of £7m, once WG confirm the funding.

Messages:

1. The overall income forecast has increased by £2.4m, due to changes in external funding (£0.3m), commercial (£0.6m), use of charge balances (£0.3m) & Grant in Aid (£1.2m). The increase in external funding relates to the DCWW contribution to the Teifi Demonstrator Project. The commercial element is due to additional wind energy income (£0.3m surrenderable & £0.3m retainable). The surrenderable element includes a land sale of £0.2m now re-scheduled for auction towards the end of the financial year. The use of charge balances predominately relates to the creation of additional charge funded posts. The GiA increase reflects additional WG funding to cover additional Civil Service Pension Scheme employer contributions and an increased allocation for pay award costs (£1.3m & £0.3m respectively). WG grants reduced by £0.4m due to a reduction in the NaCE (Peatlands programme) offset by additional funding for the Sustainable Farming Scheme (£0.2m), Regulation of Gamebirds (£0.1m) & Improving Bird Data (£0.1m).

2. Expenditure at the end of November equates to £143.5m against a planned spend of £144.9m, an underspend to date of £1.4m (1%). This is mainly due to an underspend on non staff costs (£0.8m) and revenue projects (£0.4m). The non staff element is predominantly linked to EPP mainly reflecting lower than anticipated costs within Regulation (£0.3m)(Agri regs, Waste Reform Grant & slightly lower than anticipated reservoir operating agreement costs), Land Stewardship (£0.1m) & NRM (£0.1m) broadly split across all managers. We are also seeing pressure within CCC linked to ongoing legal cases, where the current position is £0.2m ahead of profile. This area will likely over spend at year end. The overall income position is broadly in line to budget, however commercial income is slightly ahead of forecast by £0.4m (£0.2m timber, £0.2m NRW estate income), which is offset by an under recovery of £0.2m within WG Capital Grants. The commercial income position is being reforecast for sign off in the new year.

3. There is further detail on contingencies and over-programming in the report. There are several contingencies - pay award, general (for potential redundancies), precautionary (for corporate costs recharge being re-forecasted). We also hold over-programming allocations - central (prudently set at £1m, previous years set at £3m+) and in the main programmes (Flood, NaCE and NRW2030). These have reduced considerably since the start of the year and we currently only hold over programming within the NaCE programme which totals £0.7m. Flood, NRW2030 and Water Resources have surplus balances of £0.2m, £0.6m & £0.5m respectively. We have taken into consideration the lessons learnt from the Local Partnerships review in managing over-programming within programmes - though we have acknowledged there is an increased risk of underspend as a result. The central contingency budgets now total £1.8m which will be primarily used to meet any additional CFC costs.

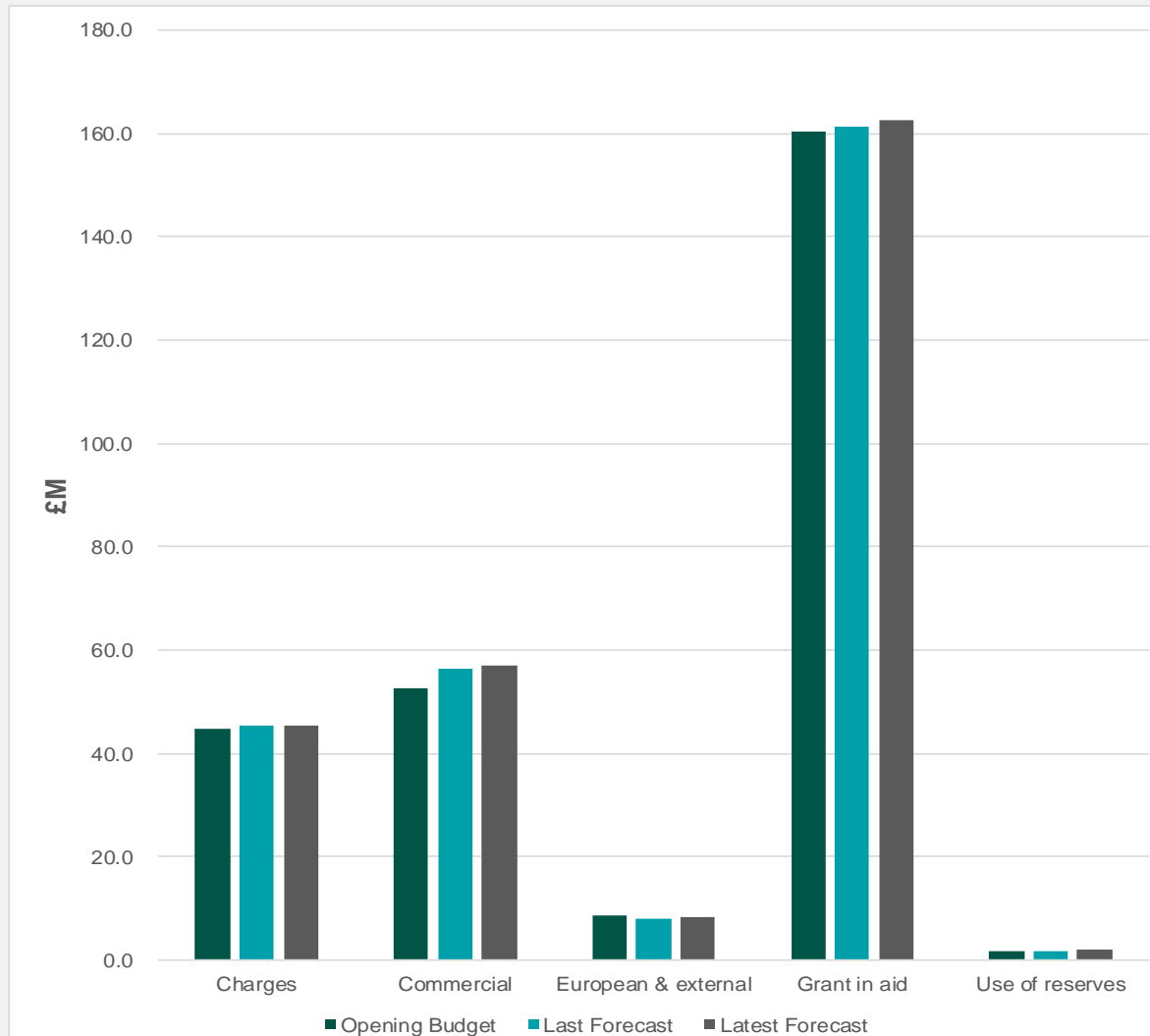
4. A new page has been introduced summarising risks and opportunities. The main updates since the last reporting period will be concerning Ty Cambria and the Case for Change. We are confident that we will meet the £9.3m staff costs savings target set at the beginning of the year.

5. Welsh Government has asked us to make the £7m payment to the LGPS pension scheme, as we have done in previous financial years. There is neutral for NRW.

Risks & Opportunities

Type	Description	Expenditure Category	Value/£m
Risks			
IR35	Ongoing dialogue on agreement of any potential liability.	Revenue	tbd
Flood	Pressure primarily linked to electricity costs on flood assets such as pumping and gauging stations. Decision pending, additional information requested but delayed due to recent storm response.	Revenue	0.4
Legal	Current costs are £0.2m ahead of forecast at the end of November. The latest position suggests a likely spend between £1m & £1.2m.	Revenue	0.2 - 0.4
Re-assessment of corporate costs recharge	Our revised calculation indicates that the corporate costs associated with the various charging regimes are likely to be lower than we initially budgeted, however we are holding a contingency that will fund the majority of these costs.	Revenue	tbd
Impact of recent storms	Initial feedback from flood is that there is minimal impact, however there will likely be impact felt on both the expenditure and income side on the Woodland Estate (WGWE), particularly in respect to storm Darragh. This is currently being assessed.	Revenue	tbd
Opportunities			
Land Stewardship	With lower expenditure incurred compared to last financial year, the Land Stewardship programme was reviewed in October. The budget allocation remains unchanged and is expected to be fully utilised by year end. Whilst spend has increased considerably since the last reporting period (September), there is still 54% (over £11m) of the budget remaining. Last financial year, there remained 45% and £8.7m respectively, as this point in the year.	Revenue	tbd
Training & C4C - CSD	65% remaining of the full year training budget in November - being considered by CSD alongside other pressures.	Revenue	tbd
Timber income re-forecast	Timber income is slightly ahead (£0.2m) of the re-profiled £33.1m target. A further forecast will be undertaken by the new year. We will also need to consider the possible income impact of the recent storms, particularly storm Darragh. Any revision to the year end position will be reflected in the next report. This is a reduction when compared to the last reporting period.	Revenue	tbd
NRW estate income re-forecast	NRW estate income is currently £0.2m ahead of profile following increases in wayleaves, property rental and fleet disposal across the NRW estate. These areas are currently being reviewed with a likely increase of £0.2m forecasted for the year.	Revenue	0.2
NaCE / NRW2030 / Flood programmes	Very low amounts of over-programming so bigger chance of underspends. Flood are forecasting an underspend of up to £0.5m, but are activity looking to utilise some of the forecasted under spend. NaCE are forecasting full spend and are considering submitting a proposal to WG who have capital funding available this financial year. NRW2030 is also at risk of under spend within the capital programme.	Capital	0.6
WG additional capital funding	Executive Team have considered the proposals and have decided not to make a further bid on the basis of the pressure this could put on staff, but request that we have the ability to reinvest any capital underspend across different funding streams.	Capital	tbd
Additional Reservoirs funding	Recently confirmed by the minister, budget to be allocated in December.	Capital	0.6
WR capital underspend	Programme lead reviewing whether further projects can be brought into the programme this year, otherwise Executive Team to agree alternative use.	Capital	0.5
Variables			
	We have a level of capital budget cover, however, until we have an agreement we will not know whether it is sufficient. The landlord has been in contact and we are considering our next steps. This could mean additional revenue budget is required and we would have to re-consider our position this financial year. The previously identified revenue overspend risk has now been mitigated by budget transfer from ICT.	Capital/Revenue	tbd
Ty Cambria	Additional risk that we will not have clarity before the end of the financial year.		
Pay Award	We have budgeted for 5% including the additional 1.3% funding confirmed by WG. This will be processed in December, with the outcome likely to be a minor budget shortfall/surplus.	Revenue	tbd
Case for change redundancies	We have budgeted £1.8m, however this exact figure will not be known until after the expression of interest phase. Should the conclusion of the Case for Change be delayed, this may have an effect on next year. There is an emerging risk about the timing of the notices.	Revenue	tbd
Recruitment controls	Target of £9.3m, currently on track to meet the savings.	Revenue	tbd

Financial Performance – Income Forecast



Charges

Charge income remains static when compared to the last reporting period.

Commercial

Commercial Income has increased by £0.6m, due to additional wind energy income (£0.3m surrenderable & £0.3m retainable). The surrenderable element includes a land sale of £0.2m now re-scheduled for auction towards the end of the financial year.

European & Other External

European & other external income has increased by £0.3m, predominately due to the DCWW contribution to the Teifi Demonstrator Project (£0.2m) along with additional Proceeds of Crime income (£0.1m).

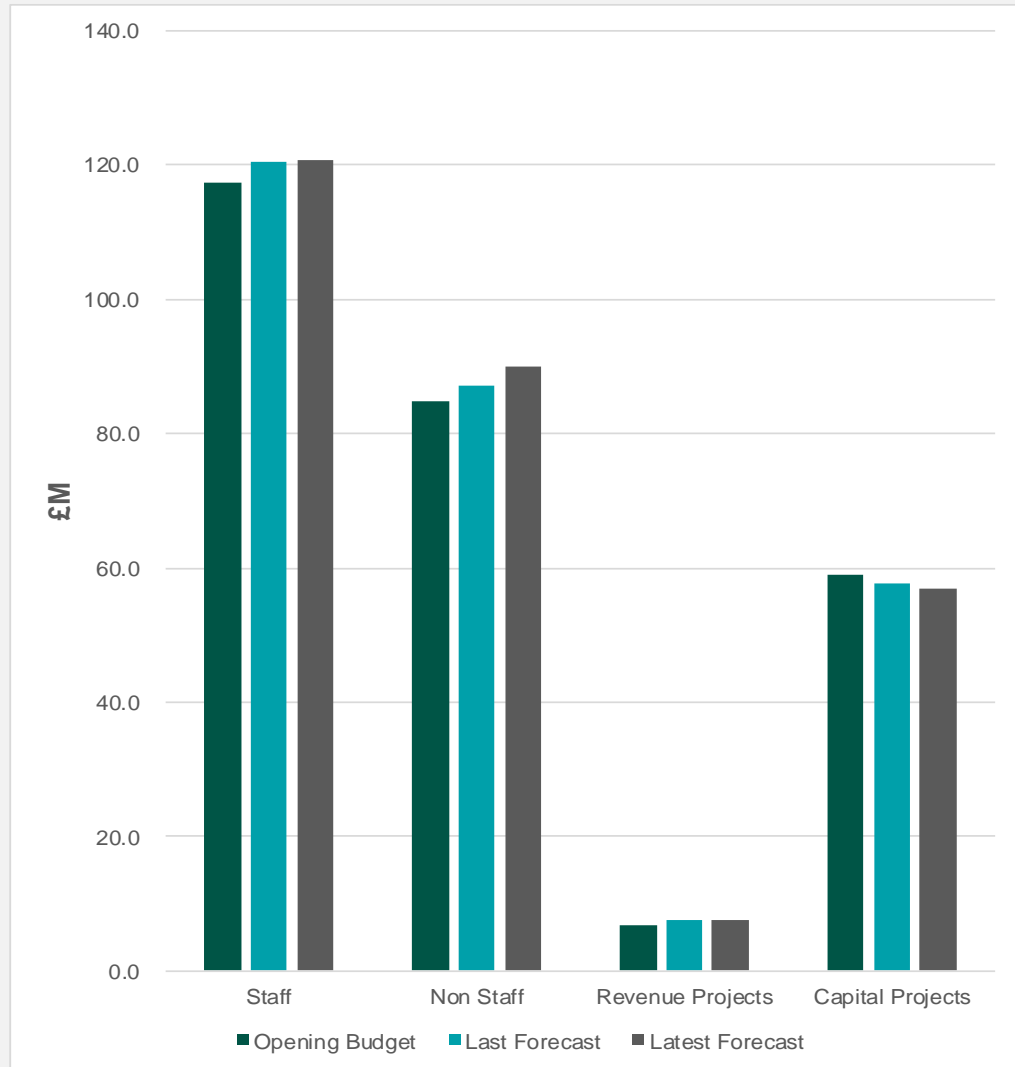
Grant in Aid

Grant in Aid income has increased by £1.2m. The change reflects WG funding to cover additional Civil Service Pension Scheme employer contributions and an increased allocation for pay award costs (£1.3m & £0.3m respectively). WG grants reduced by £0.4m due to a reduction in the NaCE (Peatlands programme) offset by additional funding for the Sustainable Farming Scheme (£0.2m), Regulation of Gamebirds (£0.1m) & Improving Bird Data (£0.1m).

Use of Charge Balances

This has increased by £0.3m, predominately linked to the creation of additional charge funded posts and additional water resources capital charges (£0.1m).

Financial Performance – Expenditure Forecast



Staff

Staff costs have increased by £0.1m, predominantly due to the addition of charge funded posts (£0.2m), offset by a reduction as a result of a number of minor adjustments (-£0.1m).

Non Staff

Overall, non staff budgets have increased by £2.9m, with the key changes being: Central contingencies forecast increasing by £1.9m following the award of additional Grant in Aid for the Civil Service Pension Scheme employers contribution (£1.3m) and pay award costs (£0.3m), along with additional retainable energy income from Cefn Cribwr (£0.2m). The increase in WG Grants (£0.4m) and additional funding from DCWW for the Teifi Demonstrator work (£0.3m) has been distributed. The surrenderable wind energy payment to WG has increased by £0.4m, following the recent wind energy income forecast.

Revenue Projects

Revenue Project costs have increased by £0.1m, predominantly due to movements within the NRW2030 Programme.

Capital Projects

These have reduced by £0.7m, mainly due to reductions within the NaCE funded Peatlands Programme (£0.7m) and NRW2030 (£0.1m movement between the capital and revenue project allocations). This is offset by an increase in the funding available to the Water Resources Capital Programme £0.1m).

Financial Performance - Income

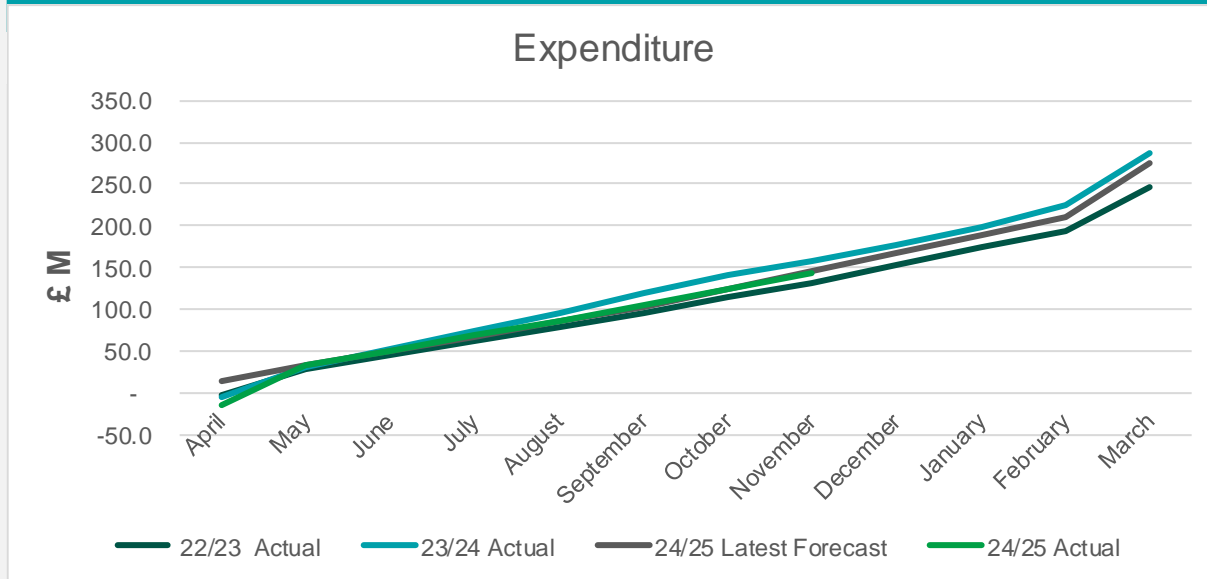
INCOME by Account Type	Actual YTD £m	Approved Forecast YTD £m	Variance YTD £m	Approved Forecast FY £m	Remaining Budget FY %	Commentary
Charges	34.3	34.3	-0.0	45.4	24%	Charge income at the end of November is in line with the current forecast, with an expectation that this will be the case at the end of the financial year, although we will continue to monitor this on a monthly basis.
Commercial	36.9	36.4	0.4	57.0	35%	Commercial income is currently £0.4m ahead of profile. The timber income element accounts for £0.2m (1%) of the variance, a significant movement from the October position, where we were £0.7m (3%) ahead of profile. Whilst the November price per tonne remained steady, the volume of timber dispatched decreased by 20%. Currently the timber income budget stands at £33.1m for the year. The Commercial Business Board have agreed that a revised timber forecast proposal will be presented at the joint Commercial and Land Stewardship Group in January, with consideration given to the results of the December esale. We will also need to consider the possible income impact of the recent storms, particularly storm Darragh. Any revision to the year end position will be reflected in the next report. The remaining variance (£0.2m) is linked to increases in wayleaves, property rental and fleet disposal across the NRW estate. These areas are currently being reviewed with a likely increase of £0.2m forecasted for the year.
European & external	3.4	3.5	-0.0	8.2	58%	Income received is broadly in line with the forecasted position, with a slight under recovery on WG capital grants, outside of Grant in Aid.
Grant in Aid	69.7	69.9	-0.2	162.6	57%	Income received is slightly behind the year to date profile, almost solely linked to WG capital grants. We are also likely to see a reduction of £0.5m linked to the Waste Reform Grant, following a recent review.
Use of charge balances	0.0	0.0	0.0	2.1	100%	The movement in charge balances is the current estimate of the funds we will need to use from the various charge regimes to cover the gap between charge income and expenditure. This will be monitored and a comprehensive review is planned for December and January in conjunction with the Regulatory Business Management Team.
TOTAL: NRW	144.3	144.2	0.1	275.3	48%	

Financial Performance - Expenditure

EXPENDITURE	Actual	Approved Forecast	Variance	Approved Forecast	Remaining Budget	Commentary
by Account Type	YTD £m	YTD £m	YTD £m	FY £m	FY %	
Staff	73.6	73.7	0.2	120.7	39%	<p>The position at the end of November shows an under spend of £0.2m linked to other staff costs, with the largest variance being training costs within the CSD Directorate (£0.2m) offset by a slight over spend within overtime & allowances in Operations & EPP Directorates. There is a risk that there will be an overspend on overtime & allowances at year end following the 24/25 pay award and the recent storms, however we do not expect this to have a significant impact on the financial position.</p> <p>Due to the current recruitment controls we have generated a further £1.7m of savings at the end of November (£0.8m Oct, £0.9m Nov) on core funded posts, which has been used to offset the opening staff budget deficit. Current projections show we will meet the £9.3m target.</p> <p>The vacancy rate now stands at 14% increasing by 1% from that reported in September.</p>
Non Staff	39.3	40.1	0.8	89.9	56%	<p>The current underspend of £0.8m is predominantly linked to EPP Directorate (£0.6m), with far smaller variances seen across the other Directorates. The EPP element mainly reflects lower than anticipated spend within Regulation (£0.3m)(Agri regs, Waste Reform Grant & slightly lower than anticipated reservoir operating agreement costs), Land Stewardship (£0.1m) & NRM (£0.1m) broadly split across all managers. We are also seeing pressure within CCC linked to ongoing legal cases, where the current position is £0.2m ahead of profile. This area will likely over spend at year end.</p> <p>These areas are being reviewed with the likelihood that some of the current under spend will be returned to fund emerging pressures on the likes of legal etc.</p> <p>With lower expenditure incurred compared to last financial year, the Land Stewardship programme was reviewed in October. The budget allocation remains unchanged and is expected to be fully utilised by year end. Whilst spend has increased considerably since the last reporting period (September) and the current position is in line with budget, there is still 54% (over £11m) of the budget remaining. At this point last financial year, there remained 45% and £8.7m respectively.</p>
Revenue Projects	2.9	3.3	0.4	7.7	62%	<p>The current variance predominantly reflects under spend within the Water Resources Programme (£0.1m), Reservoir Compliance (£0.1m) and NaCE Programme (£0.1m). All are anticipated to utilise the full year allocation.</p> <p>The NRW2030 programme has 90% (£0.9m) of the full year budget to be utilised, which includes £0.2m still to be allocated. The programme manager is currently assessing the position.</p>
Capital Projects	27.7	27.8	0.1	57.0	51%	<p>Whilst the current costs are broadly in line with budget, there are variances within the individual programmes, with externally funded projects and WG grants under spent by £0.2m & £0.3m respectively. These are offset by over spend of £0.1m within each of the Flood, NRW2030 & Water Resources Programmes. The NaCE Peatlands programme has reduced by £0.7m, with the funding returned to WG.</p> <p>Over programming across the main programmes has reduced considerably from the opening position with Flood, NRW 2030 and Water Resources showing under programming balances of £0.2m, £0.2m & £0.6m respectively along with overprogramming of £0.7m within NaCE (This has increased slightly from the last reporting period). The Flood position could increase further with a potential underspend of up to £0.5m. NaCE are forecasting to utilise the full year allocation. The NRW2030 Programme Manager is reviewing their programme and an underspend is a possibility.</p> <p>With over programming being far lower/removed within programmes, should any projects be delayed due to weather/contractor availability etc, we are likely to see an underspend at year end.</p>
TOTAL: NRW	143.5	144.8	1.4	275.3	48%	

Financial Performance – Expenditure Trends

EXPENDITURE TRENDS



Commentary:

Expenditure at the end of November was £143.5m, £15.4m less than at the same point last financial year, where we incurred £158.9m. The forecast for this year stands at £275.3m, £12.8m less than last financial year, primarily due to higher flood capital funding (£11m) and the payment to the EAPF pensions fund (£7m) offset by additional WG Grants (£3m). With the level of over-programming reduced, there is a greater level of risk of under-spend in ring fenced programmes.

Financial Performance – Revenue Projects

Revenue Projects by Programme	Actual YTD £m	Approved Forecast YTD £m	Variance YTD £m	Approved Forecast FY £m	Remaining Budget FY %	Commentary
External Funded	1.5	1.5	0.0	2.6	41%	Of the initial six projects, two have recently finished, with a further two having relatively small budgets, leaving Dee LIFE and Natur am Byth with respective budgets of £0.2m and £0.5m left to be utilised by the end of the year. Both projects are on track to spend in line with the full year allocation.
Internal Funded	0.6	0.8	0.2	1.5	63%	The current variance reflects underspend within the Water Resources & Reservoir Compliance programmes. All are anticipated to utilise the full year allocation.
NaCE	0.7	0.8	0.1	1.8	63%	Whilst the current costs are broadly in line with forecast, with 62% left to spend by the end of the financial year, the programme will be constantly monitored, although the full year allocation is expected to be utilised. Due to the ring fenced nature of the funding, any underspend will be returned to WG.
NRW 2030	0.1	0.1	0.0	1.0	89%	The programme currently has 90% of the full year budget remaining to be used. The Deloitte work has started and will account for £0.4m of the £1m budget by year end. Under-programming currently stands at £0.4m, however £0.2m will be used for cyber incident response and disaster recovery work, both of which are awaiting Programme Management Office (PMO) approval. The programme manager is confident that the remainder of the under programming can be utilised within the programme and will be in a position to confirm next month
Grants	0.0	0.1	0.0	0.8	96%	Significantly smaller programme this year with only two projects; Area of Outstanding Natural Beauty (AONB) and National Trails. All of which will be utilised by March 2025.
TOTAL: NRW	2.9	3.3	0.4	7.7	62%	

Financial Performance – Capital Projects

Capital Projects by Programme	Actual YTD £m	Approved Forecast YTD £m	Variance YTD £m	Approved Forecast FY £m	Remaining Budget FY %	Commentary
NRW 2030	1.1	1.0	-0.1	3.3	65%	Current costs are broadly in line with expectations. The programme is currently under programmed by £0.2m, with this likely to rise to £0.4m. The programme manager is confident the surplus can be reallocated within the programme and will have a revised position for the next reporting period. The holding code has reduced from £2.3m to £0.4m following the issue of project budgets to the tech stabilisation sub programme.
External Funded	3.0	3.3	0.3	7.2	58%	Expenditure at the end of November is slightly behind the forecasted position, predominantly linked to the Natur am Byth project. A revised profile will be updated in December. There is a risk with two of the LiFE projects that spend will be pushed into next year, however, due to the nature of the funding we do have the ability to defer the income to next year and facilitate this.
Flood Risk	10.3	10.2	-0.1	18.3	44%	The level of under programming has moved from a balanced position at the last reporting period to £0.2m. Following discussions with the programme leads, this is likely to increase further to £0.5m, with a key project moving into next year's programme. There is limited ability to utilise the under spend this financial year.
Internal Funded	1.7	1.8	0.1	4.1	58%	The Water Resources Programme is currently under programmed by £0.5m against the full year allocation of £2m. The programme leads are meeting with finance on 17 December to discuss and confirm the hand back amount. Outside of the £2m Water Resources budget, there are also Land Stewardship projects (£1.2m), predominantly funded from WG Grants along with £0.8m under Fleet & Facilities Management for vehicle purchase & building improvements. The vehicle purchase element will increase further as we move to a purchase model rather than lease.
NaCE	10.8	10.8	0.0	21.8	50%	Expenditure to the end of November is in line with the forecast. Overprogramming stands at £0.7m, however this will be managed down and we anticipate utilising the full allocation for the various sub-programmes. The Peatlands programme has reduced by £0.7m, with the funding returned to WG. The programme is also considering submitting a proposal to WG who have additional capital funding available this financial year.
IFRS 16 Capital Leases Only (non-cash)	0.6	0.6	0.0	2.3	73%	The overall lease programme is still under consideration by the Head of Business Support Services and Adfywio. It is dependant on the outcome of the Ty Cambria exit strategy as dilapidations are a charge against this capital budget. A value for money assessment has been undertaken regarding whether to purchase or lease new fleet vehicles. With purchase being the better option, funding will move to the specific capital codes.
TOTAL: NRW	27.7	27.8	0.1	57.0	51%	

Contingency and over-programming budgets

Rag status



Balances (contingencies and programme under/overs)	/£m Sep-24	/£m Nov-24	/£m Movement	Confidence Level (RAG Status)	Comments
In year pressure balancing targets					
Staff Reduction Targets	-3.7	-1.9	1.7	Green	The movement reflects additional staff savings for October & November (£1.7m). The latest forecast suggest we are on track to meet the £9.3m. The position will be reviewed on a monthly basis to ensure we are still on track to meet the target, but at this moment in time we do not expect any significant change. This does assume external recruitment controls remain in place. An adjustment will be made in the next reporting period to reflect the fact that charge funded staff savings will benefit the use of charge balances position.
Vacancy Management	-2.5	-1.7	0.8	Green	We are on target to manage the vacancy management target this year.
Contingencies and provisions					
Pay Award Provisions	6.1	6.1	0.0	Green	The pay provision now reflects the additional 1.3% contribution from Welsh Government (£1.5m) along with a smaller transfer from the other staff contingency budget, which now equates to an overall 5% allocation. Following the approval of the pay award, these budgets will be transferred to Directorates in December.
Other staff contingency	1.5	1.8	0.3	Green	Consolidated central contingency budget for the Case for Change.
Central Contingencies	0.3	1.8	1.5	Green	This includes the extra WG GiA allocation of £1.3m for CSPCS Pension contribution and additional pay award element £0.3m.
Central Contingencies (corporate cost recharges)	0.7	0.8	0.1	Green	Corporate costs have increased following the additional WG grants award. This balance should be retained whilst Finance calculate the revised corporate cost charge to charge income by the next reporting period.
Staff Budget Undistributed (Directorates)	0.3	0.2	-0.1	Green	Budgets approved for new posts not yet created.
Staff budget allocation for increments	0.4	0.4	0.0	Green	To be distributed in January, though likely to be slightly lower than forecasted.
Over-programming					
Central Overprogramming	-1.0	-1.0	0.0	Green	As set out in the opening budget.
Overprogramming (Directorates)	0.1	-0.1	-0.2	Green	Minor balances across Directorates, low value risk.
NaCE (Directorates)	-0.5	-0.7	-0.2	Green	Over programming has increased slightly, mainly due to the return to WG of £0.7m surplus from the Peatlands sub programme. Overall, over-programming will continue to be managed down so the programme comes in line to the allocated funding.
Welsh Government Grants	0.1	0.0	-0.1	Green	
Under-programming					
Water Resources Capital (Directorates)	0.6	0.5	-0.1	Yellow	The programme remains under-programmed against the full year allocation of £2m. The programme leads are meeting with finance on 17th December to discuss and confirm the hand back amount.
NRW 2030 (Directorates)	0.2	0.6	0.4	Green	Under programming is split across the capital (£0.2m) & revenue (£0.4m) programmes. Of the revenue element £0.2m will be used for cyber incident response and disaster recovery work, both of which are awaiting Programme Management Office (PMO) approval. The programme manager is confident the surplus can be reallocated within the programme and will have a revised position for the next reporting period.
Flood Risk Capital (Directorates)	0.0	0.2	0.2	Green	Following discussions with the programme leads, this is likely to increase further to £0.5m, with a key project moving into next year's programme.
Awaiting distribution					
NRW 2030 (Directorates)	2.3	0.4	-1.9	Green	The holding code balance has come down significantly now the Tech Stabilisation sub programme has been allocated.
Note					
All contingencies/over programming are held centrally unless indicated otherwise.					



NRW Board Paper

Date of meeting:	23 rd January 2025
Title of Paper:	Internal Drainage Districts – Precepts, Rates & Levies 2025/26
Paper Reference:	25-01-B14
Paper sponsored by:	Rachael Cunningham, Executive Director for Finance and Corporate Services
Paper prepared by:	Pepe Sepulveda, Business Accountant
Paper presented by:	Rob Bell, Head of Finance
Purpose of the paper	Approval
Summary	<p>The Board is requested to:</p> <ul style="list-style-type: none"> • approve the Internal Drainage District (IDD) special levies, drainage rates and precepts for 2025/26; • authorise its common seal to be affixed to the Approved Drainage Rates • delegate the Board’s responsibility for approving annual statements for 2024/25 to Rachael Cunningham, Executive Director for Finance and Corporate Services

Background

1. The Board are requested to approve the recommendations following the meeting held with the Chair of NRW Flood Risk Management Committee considering the Internal Drainage Districts (IDDs) Special Levies, Drainage Rates and Precepts for 2025/26 on 09 January 2025.
2. The Board has previously agreed to delegate detailed consideration of matters relating to IDDs to the NRW Flood Risk Management Committee.
3. All funding recommendations have been discussed with the various IDD Advisory Group Meetings prior to the meeting of the NRW Flood Risk Management Committee.

Assessment

4. We will provide a verbal update of the meeting held with the NRW Flood Risk Management Committee which will recommend approval to the Board. The paper considered can be found at Annex 1, which includes full details of the proposals.
5. In summary the proposals are to:
 - Retain Precepts from NRW to the IDD of £327k pending further review of the current operating model,
 - The precepts and other costs (mainly maintenance) is then recovered through the funding that we raise for IDD via Special Levies, which the proposals are £1,481k and Drainage Rates, £227k. The Special Levies and Drainage Rates which are paid by Local Authorities and local agricultural users respectively.
6. This paper is about the rates and levies for the IDD. There are wider points raised by stakeholders about IDD, such as the operational activity that the funding allows, and how the IDD sit in the context of climate change and the need for adaptation, and how a review may be appropriate. These points are acknowledged but are beyond the scope of this paper. A wider review of IDD has been initiated by the Head of Flood and Incident Risk Management, and an update will be provided at the meeting.

Risks, Risk Appetite and opportunities

7. If the Precepts, Drainage Rates and Special Levies are not approved then we will not meet the statutory deadlines and the programme of works will not be authorised.

Wider implications

- (a) **Finance:** The paper is about the financial position of the IDD. There will be minor advertising costs involved in communicating the drainage rates agreed in the local area.
- (b) **Equality:** Equality Impact assessment is not required.

Next Steps

8. Timelines:
 - Executive Team consideration 17 December 2024.
 - FRMC Board approval 09 January 2025.
 - Formal approval by Board 22 - 23 January 2025.
 - Drainage rates published on NRW internet - within 10-day of Board approval (by 03 February 2025).
 - Sealed schedules of Special Levies posted to Local Authorities by 14 February 2025.

Recommendation

9. The Board is requested to:

- Approve the IDD Special Levies, Drainage Rates and Precepts for 2025/26
- Authorise its common seal to be affixed to the Approved Drainage Rates
- Delegate the Board's responsibility for approving annual statements for 2024/25 to Rachael Cunningham, Executive Director for Finance and Corporate Services

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Annex 1 – NRW Flood Risk Management Committee Paper on funding proposals for 2025/26

NRW Flood Risk Management Committee Paper

Date of meeting:	09 January 2025
Title of Paper:	Internal Drainage Districts – Precepts, Rates & Levies 2025/26
Paper Reference:	To be completed by Secretariat
Paper sponsored by:	Rachael Cunningham, Executive Director for Finance & Corporate Services
Paper prepared by:	Pepe Sepulveda, Business Accountant
Paper presented by:	Catherine Allan, Business Finance Manager
Purpose of the paper	Scrutiny and Recommend approval to NRW Board
Summary	<p>The NRW Flood Risk Management Committee is requested to:</p> <ul style="list-style-type: none"> • agree the proposed Precepts, Drainage Rates and Special Levies for 2025/26 for Internal Drainage Districts (IDDs). • the proposals will then be submitted to the January Board meeting for endorsement.

Background

1. The Board has delegated consideration of the IDD's Precepts, Drainage Rates and Special Levies to this Committee.
2. To seek NRW Flood Risk Management Committee's agreement to raise:
 - Precepts on IDD's which are administered by Natural Resources Wales (£327k).
 - Special Levies (£1,481k) and the Drainage Rates (£227k) for IDD's which are administered by NRW.

3. We administer the activities of thirteen IDD in Wales (please see annex 1 for location of IDDs). Part of that role is to set our **precept** on the IDDs and to agree the **special levies** and **drainage rates** required to fund the work of the IDDs.
4. We have two non-executive Advisory Groups for Powysland and Gwent IDDs. The Gwent IDD comprises of Lower Wye and Caldicot & Wentlooge who have their own precept, special levies and drainage rates.
5. We have a further five non-executive Advisory Groups for the eleven Districts located in North West Wales.
6. The purpose of the IDD Advisory Groups is to engage with stakeholders and customers providing representative and independent advice to help inform NRW's executive decision making. Also, part of the purpose of the seven Advisory Groups is to consider the **Drainage Rates** and **Special Levies** being recommended to the NRW Board for approval.
7. A **precept**, as outlined in Section 141 of the Water Resources Act 1991, enables NRW to seek a contribution from IDDs for works essential to the Main River within, adjacent or flowing from or into an IDD. The money is raised by NRW from the IDD for the benefit of the respective District or Districts served.
8. All land and properties within a Drainage District are deemed to derive benefit from the activities of an IDD and therefore to contribute to its running costs. Local Authorities are charged a **Special Levy** by the Board in proportion to the annual value of non-agricultural land. **Drainage Rates** are paid by landowners, farmers and tenants in proportion to the annual value of agricultural land.
9. Legislation defines that the Drainage Rates and Special Levies need to be set and published by the 15 February each year.
10. A full review of the costing methodology for IDDs has been undertaken, as agreed at the Flood Risk Management Committee in January 2024 when approving the current year's budget. Any changes in respect corporate cost allocations have been included in the proposals below. A further review is underway regarding Precepts, which we expect to be included in proposals for 2026/27.
11. This paper is about the rates and levies for the IDDs. There are wider points raised by stakeholders about IDDs, such as the operational activity that the funding allows, and how the IDDs sit in the context of climate change and the need for adaptation, and how a review may be appropriate. These points are acknowledged but are beyond the scope of this paper. A wider review of IDDs is under consideration, and an update will be provided at February's joint FRMC-LEC meeting.

Precept Proposal

12. Table 1 below details the proposed Precepts for 2025/26

Precept Proposals - Table 1

Dosbarth Draenio Mewnol / Internal Drainage District	Cynnig Praesept / Precept proposal 2024/25 £	Cynnig Praesept / Precept proposal 2025/26 £
Gwy Isaf / Lower Wye	3,712.12	3,712.12
Cil y Coed a Gwynllwg / Caldicot & Wentlooge	206,000.00	206,000.00
Powysland	10,629.60	10,629.60
Afon Ganol	9,684.06	9,684.06
Cors Ardudwy / Ardudwy marsh	5,878.21	5,878.21
Cors Borth / Borth Bog	7,597.28	7,597.28
Afon Conwy	16,587.12	16,587.12
Dysynni	15,408.80	15,408.80
Glaslyn a Phensyflog / Glaslyn & Pensyflog	11,949.03	11,949.03
Harlech a Maentwrog	8,108.16	8,108.16
Llanfrothen	3,852.20	3,852.20
Cors Malltraeth / Malltraeth Marsh	8,515.01	8,515.01
Mawddach ac Wnion / Mawddach & Wnion	14,992.68	14,992.68
Tywyn	4,545.39	4,545.39
Cyfanswm / Total	327,459.66	327,459.66

13. We are proposing that the precepts for the thirteen IDD's for 2025/26 remain consistent from 2024/25 levels whilst we undertake a wider review of the operating model for recharging work, the level of contribution received by FIRM (Flood and Incident Risk Management) for work benefiting IDD's, and results of the FIRM Case for Change process which will ultimately decide on the target Flood Risk Management operating model for future years.
14. For 2025/26 we will be allocating the precept contribution of £327,459 to Integrated Workforce teams as part of the Budget Setting process. This will allow for an assessment of whether the current contribution, linked to the expenditure incurred by FIRM, is sufficient to carry out flood risk management works within, or adjacent to the relevant IDD boundaries. This work is to be costed and prioritised as part of the RBRAM model for determining the schedule of works given to Integrated Flood Risk Teams.

Corporate costs and Administration

15. Following 2024/25's rate setting for IDD's, it has been agreed to move to a consistent way of applying corporate costs for IDD's. The table in Annex 3 sets out how they have been charged historically based on three methodologies. The core principle behind the change in charge methodology being applied is that that IDD's should be fully self-funded from income received and / or balances, applying both a fair and consistent approach.

16. In this proposal we have used a full cost recovery methodology, considering current methods for charging IDD corporate costs and those adopted across the wider organisation. Also, mindful about how we manage this in the context of what is currently charged to each IDD, the impact of increasing the charges in future years rate setting, and with consultation with the IDD sub-group. An outline of the considerations made has been provided within **Annex 3**.

17. This will also address an Internal Audit recommendation (3.3) from the 2023/24 report:

The advisory raised in the Account Receivable 23/24 Internal Audit is still relevant here. Currently the IDD for Powysland is managed outside of Finance, which is inefficient, we would advise that it would be better practice to treat all IDDs the same way to ensure consolidation and treatment is streamlined and standardised.

Special Levies and Drainage Rates Proposals

General Information

18. Table 2 below provides details of the Special Levies (£1,481k) and the Drainage Rates (£227k) being proposed for 2025/26. The table in Annex 2 provides a comparison to the previous financial year.

19. Local Authorities must also contribute via Special Levies. They will be contacted by officers to advise them of our proposals and the impact on their respective Local Authority. The Team Leader, Integrated Engineering North West will be contacting the Farmers Union of Wales (FUW) and the National Farmers Union (NFU) to outline our maintenance work plans, as well as informing them of the proposed increased Drainage Rates for the 11 IDDs in North West Wales.

20. Drainage rates are calculated on the chargeable value of agricultural land and therefore any changes in the use of the land will be reflected in the rates. This has been factored in to current and future rate setting.

Special Levies and Drainage Rate Proposals 202526 – Table 2

Dosbarth Draenio Mewnol / Internal Drainage District	2025/26	
	Ardoll Arbennig / Special Levy 2025/26 (£)	Cyfradd Draenio / Drainage Rate 2025/26 (£)
Gwy Isaf / Lower Wye	17,071	1,445
Cil y Coed a Gwynllwg / Caldicot & Wentlooge	1,201,984	35,849
Powysland	65,805	77,051
Afon Ganol	18,891	742
Cors Ardudwy / Ardudwy Marsh	17,500	3,266
Cors Borth / Borth Bog	12,820	21,185
Afon Conwy	28,302	9,359
Dysynni	23,754	16,761
Glaslyn a Phensyflog / Glaslyn & Pensyflog	28,594	2,400
Harlech a Maentwrog	27,001	3,763
Llanfrothen	4,712	19,905
Cors Malltraeth / Malltraeth Marsh	4,431	29,946
Mawddach ac Wnion / Mawddach & Wnion	26,774	1,499
Tywyn	3,350	3,978
Cyfanswm / Total	1,480,988	227,151

21. Given the current economic climate, increases in costs are as expected. Inflationary pressures and a significant increase to the price per metre of work (retained from last year's frameworks) have meant the overall cost to maintain IDD's has increased significantly for the same work carried out in previous years. Options have been considered as to a) reduce the amount of work carried out, and b) retain current maintenance programmes with current rates. These options have been considered in combination with the amounts available to each IDD in reserves, in addition to a five-year projected forecast for each IDD (including the current financial year), from which the proposed increase/retention of the drainage rates for 2025/26 have been reached.

IFRS 15

22. At previous Advisory Group meetings, we informed members that NRW is complying with the accounting standard IFRS 15 (Revenue from Contracts with Customers), which was implemented from 1 April 2018.

We agreed with Audit Wales that IDD's can have an individual **accidental** maximum balance (surplus or deficit) of under 5% of the scheme's annual income or under £50k, whichever is the greater at the end of a financial year which it can carry forward for use in the next financial year or taking into account when next setting levies and rates. There will be an exception where funds need to be built up for a significant expense or programme / project.

North West IDD's

23. The Special Levies and Drainage Rates recommended have increased in the North IDD's compared to 2024/25 (averaging ~5.6%). Special Levies have increased by £10.5k and Drainage rates have increased by £6.1k. This is due to increased maintenance costs within specific IDD's (Glaslyn, Afon Conwy), as well as accommodating for the revised cost of enabling services. Discussions with the North IDD advisory groups are currently ongoing, the largest of which (Dwyfor & Merionnydd) has been held.

24. The Ardudwy, Harlech and Glaslyn Pencyflog IDD's are currently carrying large balances which are within the limit of IFRS 15 and have been duly considered.

Powysland IDD

25. The Powysland rates will need to increase significantly. Special Levies need to increase by £12.4k and Drainage rates by £14.5k, or more broadly a 23.3% increase,

26. This is on the back of last year's increase and having to absorb significant in-year expenditure i.e., £35k+ on maintenance charges, £25k on a new pump, a 5% pay award assumption and non-consolidated payment which has led to depleting brought forward reserves. The IDD has also retained the previous year's framework rates, which saw maintenance increase from £0.80/metre to £2.58/metre.

27. The cost of operating its pumping stations has increased by £26k due to a significant increase to both the standing and variable charge per unit (kWh) of electricity. This issue has affected all FIRM operating pumping stations, and a business case has been

made as to whether cost mitigation and / or efficiencies can be made to the way we operate our pumping stations.

28. To mitigate the impact to ratepayers whilst still operating within an acceptable level of deficit on our accounts the split has been made between this financial year and future years, as well as utilising the existing reserve balance available. It is acknowledged that this is a significant increase, and a full financial presentation and consultation with the Powysland Advisory Group was held on 26/11/2024 to brief key stakeholders and ratepayers of the IDD's current financial position, cost mitigation measures, proposed increase to rates and levies, and reasonings for such a high level of increase. The group reluctantly accepted that there would be a need to increase the penny rate to the proposed recommendation to avoid the IDD going into a longer-term deficit position, whilst still maintaining an adequate level of ditch maintenance. The need to carefully monitor the financial position in line with the 5-year projected forecast was noted.
29. The proposed increase will ensure the IDD continues to gradually increase its maintenance programme, as well as accommodating the increases to both electricity and full cost recovery of enabling services contributions. Further work is in progress to review invest to save options by renewing the existing pumping stations with more efficient, larger capacity pumps, as well as other efficiencies to be found to reduce the cost burden of electricity and related usage charge.
30. The staffing structure of the IDD is to also be reviewed in the context of the FIRM Case for Change, to ensure maximum potential engineering capacity for both Flood Risk Management and the IDD is achieved, with potential benefits to both FIRM and IDDs.

Gwent IDD

31. The Gwent IDD Advisory group has been briefed on any proposed increase in a meeting held on 01/10/2024. There will be no change to the Lower Wye rates, though Caldicot & Wentlooge's drainage rate will increase by 3.5%. This incorporates inflationary pressures, as well as further plant and machinery requirements for the IDD in 2025/26. Special Levies for Caldicot & Wentlooge will increase by £40.6k and Drainage rates by £1.2k in 2025/26. This is in line with the previous year's projected increase.
32. The Caldicot & Wentlooge and Lower Wye sub-districts of the Gwent IDD are the only IDDs with a material balance, and in line with our IFRS15 policy and agreement with Audit Wales, this balance is projected to be fully utilised within the five-year cost projections and has been factored into the next setting of levies and rates.
33. Caldicot are currently carrying out an appraisal of their 5-year capital plan. This will ensure that any expenditure on maintenance and plant purchases are prioritised and phased across the period.

Risks and opportunities

34. If the Precepts, Drainage Rates and Special Levies are not approved then we will not meet the statutory deadlines and the programme of works will not be authorised.

Wider implications

35. **Finance:** Approval of the proposals in this paper will allow the collection of income, which is used to fund direct works.
36. **Equality:** An Initial Screening has been completed, which indicated that a full Equality Impact Assessment is not required for the proposals in this paper.

Next Steps

37. Timelines.

- Executive Team consideration 17 December 2024.
- FRMC Board approval 09 January 2025.
- Formally approved by Board 22 - 23 January 2025.
- Drainage rates published on NRW internet - within 10-day of Board approval (by 03 February 2025).
- Sealed schedules of Special Levies posted to Local Authorities by 14 February 2025.

Recommendation

38. The NRW Flood Risk Management Committee is requested to:

- agree the proposed Precepts, Drainage Rates and Special Levies for 2025/26.
- The proposal will also be submitted to the Board for approval.

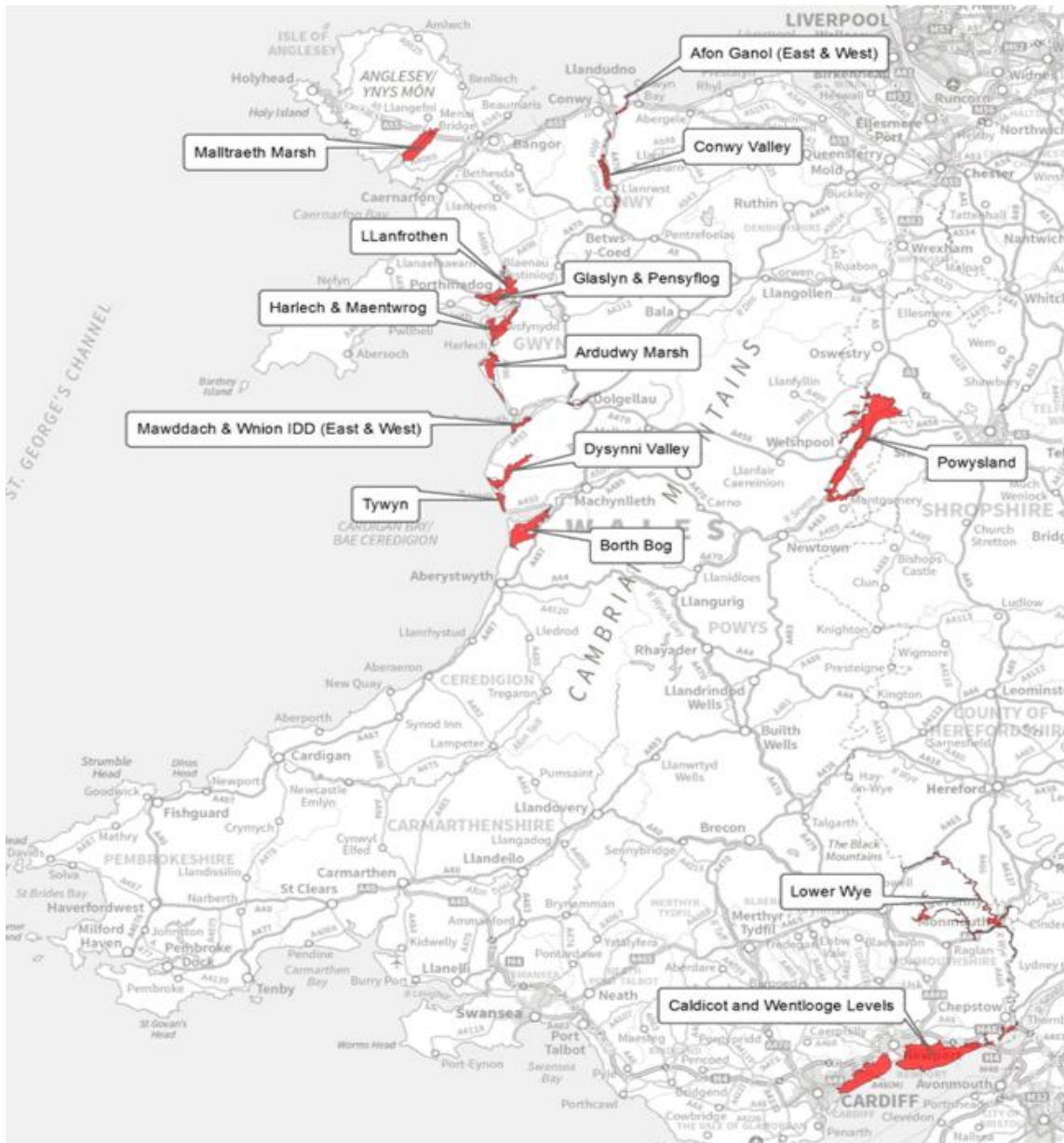
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Annex 1 – Map of IDD's

Annex 2 – Drainage rate and Special Levy income by IDD

Annex 3 – Corporate costs and Administration

Annex 1 – Internal Drainage Districts



Annex 2 – Drainage Rates

Dosbarth Draenio Mewnol / Internal Drainage District	Advisory Group	Drainage rate pence			Local Authority
		2024/25	2025/26	Change	
Gwy Isaf / Lower Wye	Lower Wye	1.40	1.40	-	Monmouth
Cil y Coed a Gwynllwg / Caldicot & Wentlooge	Caldicot & Wentlooge	7.30	7.56	0.26	Cardiff, Newport & Monmouth
Powysland	Powysland	15.02	18.52	3.50	Powys
Afon Ganol	Conwy	12.24	12.85	0.61	Conwy
Cors Ardudwy / Ardudwy Marsh	Dwyfor & Merionnydd	21.27	22.33	1.06	Gwynedd
Cors Borth / Borth Bog	Borth	51.00	54.31	3.31	Ceredigion
Afon Conwy	Conwy	35.48	37.79	2.31	Conwy
Dysynni	Dolgellau	52.62	57.88	5.26	Gwynedd
Glaslyn a Phensyflog / Glaslyn & Pensyflog	Dwyfor & Merionnydd	9.92	10.42	0.50	Gwynedd
Harlech a Maentwrog	Dwyfor & Merionnydd	12.79	13.43	0.64	Gwynedd
Llanfrothen	Dwyfor & Merionnydd	77.26	81.13	3.87	Gwynedd
Cors Mallaeth / Mallaeth Marsh	Mallaeth	46.08	47.69	1.61	Ynys Mon
Mawddach ac Wnion / Mawddach & Wnion	Dolgellau	13.00	13.46	0.46	Gwynedd
Tywyn	Dolgellau	80.38	85.60	5.22	Gwynedd
Cyfanswm / Total		435.76	464.37	28.60	

Annex 2b – Special Levies

Dosbarth Draenio Mewnol / Internal Drainage District	Advisory Group	Special Levy			Local Authority
		2024/25	2025/26	Change	
Gwy Isaf / Lower Wye	Lower Wye	17,071	17,071	-	Monmouth
Cil y Coed a Gwynllwg / Caldicot & Wentlooge	Caldicot & Wentlooge	1,161,337	1,201,984	40,647	Cardiff, Newport & Monmouth
Powysland	Powysland	53,366	65,805	12,440	Powys
Afon Ganol	Conwy	17,991	18,891	900	Conwy
Cors Ardudwy / Ardudwy Marsh	Dwyfor & Merionnydd	16,667	17,500	833	Gwynedd
Cors Borth / Borth Bog	Borth	12,037	12,820	782	Ceredigion
Afon Conwy	Conwy	26,574	28,302	1,728	Conwy
Dysynni	Dolgellau	21,595	23,754	2,159	Gwynedd
Glaslyn a Phensyflog / Glaslyn & Pensyflog	Dwyfor & Merionnydd	27,232	28,594	1,362	Gwynedd
Harlech a Maentwrog	Dwyfor & Merionnydd	25,716	27,001	1,285	Gwynedd
Llanfrothen	Dwyfor & Merionnydd	4,487	4,712	225	Gwynedd
Cors Mallaeth / Mallaeth Marsh	Mallaeth	4,281	4,431	150	Ynys Mon
Mawddach ac Wnion / Mawddach & Wnion	Dolgellau	25,868	26,774	906	Gwynedd
Tywyn	Dolgellau	3,146	3,350	204	Gwynedd
Cyfanswm / Total		1,417,368	1,480,988	63,620	

Annex 3 – Corporate Costs and Administration

IDD	Methodology	Prior Year Cost
Gwent IDD (Caldicot & Wentlooge + Lower Wye)	Corporate costs included as a percentage of income , currently 25% of income charged as a cost to corporate cost.	Projected £300k for FY2024-25 (25% of income).
Powysland IDD	Corporate costs allocated by direct staff charge (Administrative Clerk to IDD) to the IDD.	Projected £10.5k for FY2024-25 (average cost of employment).
North Wales IDD (x11)	Corporate costs charged as an 'Administration Charge' , calculated based on a percentage recharge of individual staff members' time / salary across Administration functions (Finance, Income, Operational Management), split by each IDD.	Projected £36.8k for FY2024-25 based on previous allocation of time spent on North IDD.

Options have been considered as to:

- A) Retain the current corporate cost charge regimes. This would not resolve any of the issues, further delaying addressing the issue.
- B) Apply an administration charge (consistent with the North IDD methodology). With input from staff across Operation Management, Engineering, Income and Business Finance, data has been evaluated based on a current assessment of time spent by IDD. Given this scenario, IDD across the North would see a saving of £4.7k, reflecting less time spent by IDD for 2025/26. Powysland would see an increase of £26.9k, reflecting administrative staff currently spending time on the IDD who are not charged directly or indirectly to Powysland. Gwent IDD would see a reduction of £291.6k. This is due to staff within Gwent IDD who are currently charged to the IDD not being included. Time across other functions has been assessed by actual time, as opposed to an apportionment based on income as is current. It is important to note, this option does not consider corporate costs costing outside of administrative time, which would not fully cost recover, as it neglects to include other corporate functions (rent, rates, non-specific utilities) not charged to IDDs, and in itself does not include time spent on procurement, Facilities & Fleet, ICT, CCC, HR-related and onboarding costs, internal audit and numerous other charges. By applying this charge, we would also introduce the need to review the arrangement specifically and separately on an annual basis, which also leaves exposure for what is and / or isn't full cost recovered. It is acknowledged however that this may present a fairer approach in what is charged based on a use / cost basis. In considering the above

factors, we would not recommend this option without further consideration of other enabling costs or recharging of said costs.

- C) Using the current basis for charging corporate costs for all regular funding sources across NRW; based on total income and total corporate cost centres and those areas identified as benefiting all NRW, a 25% rate on income was agreed. For the purposes of 2025-26 Budget Setting, acknowledging this figure and methodology is currently in review and likely to change in light of Case for Change implications, a figure of 22% of income has been used. Using this option would enable consistency across all IDD's and alignment to wider NRW charging principles for regular funding sources benefiting from NRW enabling services. However, it is noted this presents a significant cost burden and resultant increase to drainage rates across North IDD's and particularly Powysland, which currently sees comparatively less corporate costs charged directly to the IDD.

Option C has been factored into the below proposals for 2025-26 and ensures full cost recovery, including the revised enabling services charge as a percentage of income received, which is consistent with other regulatory charge regimes in NRW. The risk of not applying the corporate cost charge in this manner would place the residual financial burden of corporate costs incurred on NRW to subsidise costs, which does not align with the approach / statutory requirements of IDD's remaining self-funded from income received.

Detailed input has been fed in consultation with IDD Management, Operational Management, and Income / Financial Accounting teams, as well as the relevant IDD Advisory Groups to agree on the approach for 2025/26 and future financial years.