

# Agenda – Climate Change, Environment, and Infrastructure Committee

---

Meeting Venue:	For further information contact:
Committee room 4 Tŷ Hywel and video	Marc Wyn Jones
Conference via Zoom	Committee Clerk
Meeting date: 12 March 2025	0300 200 6565
Meeting time: 09.30	<a href="mailto:SeneddClimate@senedd.wales">SeneddClimate@senedd.wales</a>

## Hybrid

---

**Private pre-meeting (09.15–09.30)**

**Public meeting (09.30–12.00)**

### 1 Introductions, apologies, substitutions, and declarations of interest

(09.30)

### 2 Annual scrutiny of Natural Resources Wales

(09.30–10.50)

(Pages 1 – 158)

Ceri Davies, Acting Chief Executive Officer – Natural Resources Wales

Sir David Henshaw, Chair – Natural Resources Wales

Rachael Cunningham, Executive Director for Finance & Corporate Services – Natural Resources Wales

Natural Resources Wales Annual Report and Accounts 2023–2024 (PDF 2MB)

Attached Documents:

Research brief – Annual scrutiny of Natural Resources Wales

Paper – Natural Resources Wales

Paper – Natural Resources Wales Annual Report and Accounts 2023–2024



**Break** (10.50–11.00)

### **3 Storm response inquiry – evidence session with Natural Resources Wales**

(11.00–12.00)

(Pages 159 – 188)

Gareth O’Shea, Executive Director of Operations – Natural Resources Wales

Jeremy Parr, Head of Flood Risk Incident Management – Natural Resources Wales

Tim England, Operations Manager, Flood & Water Management – Natural Resources Wales

Attached Documents:

Research brief – Storm response inquiry

Paper – Natural Resources Wales

### **4 Papers to note** (12.00)

#### **4.1 Halting and reversing the loss of nature by 2030**

(Pages 189 – 214)

Attached Documents:

Response from Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs to the Chair in relation to the Committee's report on Halting and reversing the loss of nature by 2030

#### **4.2 Holyhead Port Storm Damage and Closure**

(Page 215)

Attached Documents:

Response from the Chair to the Chair of the Economy, Trade, and Rural Affairs Committee in relation to the Holyhead Port Storm Damage and Closure Committee inquiry

#### **4.3 Bus Services (Wales) Bill**

(Pages 216 – 218)

Attached Documents:

Letter from the Cabinet Secretary for Transport and North Wales to the Llywydd in relation to the Bus Services (Wales) Bill

**4.4 Restoration of opencast mining sites**

(Pages 219 – 220)

Attached Documents:

Letter from the Coal Action Network to the Chair in relation to the Committee's inquiry on the restoration of opencast mining sites

**5 Motion under Standing Order 17.42 (vi) and (ix) to resolve to exclude the public from the remainder of this meeting**

(12.00)

**Private meeting (12.00–12.30)**

**6 Consideration of evidence received under items 2 and 3**

**7 Consideration of draft report on the National Infrastructure Commission for Wales (NICW)**

(Pages 221 – 239)

Attached Documents:

Draft report on the National Infrastructure Commission for Wales – 2024

**8 Consideration of draft report on the Legislative Consent Memorandum for the Data (Use and Access) Bill**

(Pages 240 – 245)

Attached Documents:

Draft report on the Legislative Consent Memorandum for the Data (Use and Access) Bill

## **9 Forward work programme**

(Page 246)

Attached Documents:

Paper – Forward work programme

Document is Restricted

# Climate Change, Environment & Infrastructure Committee: Annual Scrutiny of Natural Resources Wales March 2025

Ahead of our annual scrutiny session with the Committee on Wednesday 12 March 2025 we thought it would be helpful to provide written updates on how we are progressing against our three well-being objectives, and on a number of topical issues.

## Well-being objective 1: Nature is recovering

2024/25 will be a landmark year for nature's recovery in Wales with Welsh Government setting the strategic direction for the next decade or more through two major pieces of work: the White Paper defining the approach to environmental principles, governance and biodiversity targets and the Sustainable Farming Scheme setting out how land managers will be rewarded for nature positive land management.

The annual commitments reflect our contribution to these crucial pieces of work, as well as delivery of the Nature Network Programme and the process for designation of a new national park. These set the foundations for meeting the 2030 global targets for nature on land, sea and in freshwaters. We will continue for example to undertake environmental monitoring and reporting, respond to planning applications, issue permits, undertake compliance visits and where necessary take enforcement action.

## Well-being objective 2: Communities are resilient to climate change

Welsh Government has set the strategic direction for climate action in Net Zero Wales, where all parts of the public, private and third sector are expected to play their part to drive action. Through NetZero Industry Wales and the industry clusters, there is increasing focus on decarbonisation of industrial processes and development of alternative low-carbon energy sources. Onshore and offshore renewable energy developers are continuing to actively explore and develop new schemes, including on the Welsh Government Woodland Estate. With additional investment from Welsh Government the National Peatland

Programme will be scaled up to achieve the ambition of 1800ha/year being restored by 2030/31.

Our annual commitments for 2024/25 reflect our contribution to these crucial pieces of work as well as delivering priority actions in our net zero plan particularly through our procurement and contract management service. This year we will deliver the new flood warning system for communities across Wales and complete the Newport flood defence scheme protecting 814 properties. We have not included all the steps to take in this year's business plan. We will continue to manage the land in our care, producing timber and creating new woodlands on the Welsh Government Woodland Estate, restoring peatland and adapting to climate change across all our sites. Our Adfywio programme will continue to focus on reducing our carbon use in fleet and facilities, and we will continue to roll out carbon literacy training across the organisation.

## **Well-being objective 3: Pollution is minimised**

2024/25 will see continued delivery of actions from Welsh Government's Beyond Recycling strategy, including implementation of the new workplace recycling legislation. Minimising pollution of rivers and seas will be a continued focus with the Periodic Price Review 24 determining the pace and scale of improvement by Dŵr Cymru Welsh Water and Hafren Dyfrdwy in improving their assets to minimise pollution and maintain security of water supply. The opportunity to minimise pollution from agriculture will be significantly shaped by the Sustainable Farming Scheme setting out how land managers will be rewarded for nature positive land management.

Our annual commitments for 2024/25 reflect our contribution to these crucial pieces of work as well as our continuing focus on improving water quality through for example the review of permits for larger wastewater treatment works and planned farm inspections in line with the Agriculture Pollution Regulations. We plan to review our approach to incident management drawing on evidence, to enable us to integrate preventative action into incident response. Alongside these traditional regulatory approaches, we will continue to deliver prioritised action at the catchment scale and explore opportunities for innovation and collaboration with partners, through for example the Teifi Demonstrator Project. We have not included all the steps to take in this year's business plan. We will continue for example to issue permits, undertake compliance visits, respond to incidents and where necessary take enforcement action.

## Alignment of performance with the Corporate Plan

In the Committees' most recent scrutiny report, they made a recommendation that NRW should provide an update as soon as practicable after October 31, 2024, on the progress of developing final strategic indicators and performance metrics. We wrote to you in January to advise that this work had been delayed due to our case for change programme.

Our corporate plan to 2030, Nature and People Thriving Together, sets out our vision, mission and well-being objectives. Since publication we have been focussed on the alignment of our performance management framework to the intent of the corporate plan.

This years Annual Business Plan (2024/25) provides the line of sight to the corporate plan, showing those things that we will do in the year to take forward some of the steps to take. The quarterly reporting process has been streamlined. We have established a WBO Performance Group, bringing together the ET well-being objective leads and Leadership Team to facilitate a holistic discussion of performance across the three well-being objectives against the commitments in the Annual Business Plan, seeking support to unblock issues and/or mitigate risks and a steer on relative priorities for resources. This informs the reports to the Board and Sponsorship each quarter. Alongside this, the Board undertakes a deep dive on a well-being objective each quarter to scrutinise progress. Scrutiny at these strategic sessions primarily focus on NRW delivery and we will evidence this in the NRW Annual Report. We have undertaken three scrutiny sessions over the course of the last 18 months focussed on each WBO and these will restart in 2025/26. The development of the prioritisation approach to inform the case for change is a key step forward for the organisation as we align resources (people and budget) to delivery of the WBOs.

Key staff leading our work on the performance management framework have been heavily involved in the development of the prioritisation approach and preparation of the case for change. This alongside vacancies in the team has meant that our work on the corporate plan impacts and strategic indicators paused in the autumn. Although we had engaged with partners and colleagues across the organisation to seek their feedback and advice we have not yet finalised and published our report. We are dependent on recruitment to a vacancy, so cannot confirm a set date for publication but would hope to do this by the autumn.

There has been no further work with Welsh Government on SLAs in 2024/25. As we prepare the 2025/26 Business Plan and Budget we welcome the significant additional funding allocated to NRW in the draft budget. The organisation is in receipt of a permanent increase in grant in aid revenue funding as well as new and additional WG grants for specific programmes of work. Much of this new or additional funding is aligned to key

steps to take in the corporate plan as well as improving the underpinning BAU activities in regulation and statutory planning advice.

The 2025/26 Business Plan will continue to show the alignment to delivery of the corporate plan WBO, as well as the additional funding provided by WG. This year we will include a focus on those BAU activities in regulation and statutory planning advice that contribute to all three WBOs. The business plan will include SMART metrics as we continue to evolve our performance management framework.

Sponsorship Officials have started to engage with us about the opportunity to build a case for investment in NRW delivery to inform the next spending review. This is likely to draw on the lessons from the preparation of the baseline exercise and SLAs. At this stage we are keen to ensure that the new process and products provide an integrated case for investment rather than looking in silos as we did previously. This will require us to look end to end, capturing the flow from evidence, monitoring and analysis through to the use of this evidence to inform the preparation of statutory advice and guidance which then informs permitting decisions, compliance and enforcement and incident management.

## NRW's Case for Change

Natural Resources Wales is in the process of implementing changes to its structure, enabling it to sharpen our focus on areas where we can make the most meaningful impact for nature, climate and pollution.

NRW started the 2024/25 financial year with a £9m deficit. Over the past year, we have significantly reduced our non-staff budgets, and implemented controls on our staff budgets, such as a recruitment freeze and the termination of many of our fixed term appointments, to allow us to address this pressure in-year. Financial forecasts indicated that the pressure on our staff budget will rise to £13million in 2025/26 if no action was taken, and this would grow by a further £4m to £17m in 2026/27 if no action was taken. Therefore we needed to revisit our structure and permanent headcount numbers to make the forecasted savings of £13m.

Early in 2024, Leadership Team undertook a thorough prioritisation process to identify areas for saving across the organisation, which were set out in a proposal for change to the Trade Unions in July 2024. Following this period of consultation with the Trade Unions, the feedback was acted on with revisions to the proposals in some services and departments.

The finalised Case for Change was signed off and agreed by the NRW Board on 5th November 2024. In summary, we are taking 235 roles out of our structure (down from 276

following the consultation). In addition, we are carrying over 200 vacancies and we will be looking to use these vacancies as a source of alternative employment to affected individuals, where appropriate.

The Case for Change also committed us to undertake two additional reviews:

- A review of our Flood Risk Management Service to identify an additional £1.1m of saving, to be realised by the 1 April 2026;
- and a review of Enabling Services, to identify efficiencies and opportunities for improving service delivery.

## Visitor centres

The 'Case for Change' includes NRW ceasing its own delivery of catering and retail operations at Coed y Brenin, Nant yr Arian and Ynyslas.

All paths, trails, car park, play area and toilet facilities will remain open at the sites and we held public meetings to update communities in November, and have a [dedicated citizen space page](#) for any further and future updates, including a FAQ section.

The National Nature Reserve at Ynyslas continues to be served by the dedicated officer there (and the wider team).

We understand how important our sites are to local communities and visitors, and we know the decision to stop providing catering and retail services is disappointing to many people. Our board made the decision in response to the extremely tight funding situation we and other public bodies face.

## Increased allocation to NRW in Welsh Government's draft budget

We welcome the increased funding allocation from the Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs and are absolutely committed to ensuring this funding has maximum impact that will be felt by communities and stakeholders in Wales. We are keen to progress at pace with the transformation work we believe is necessary if we are to succeed in delivering our ambitious Corporate Plan.

Heads of Business and Service have been tasked to work together, to set out how they would use the additional funding in line with the steer set out in your letter to invest in

water quality and in action to support biodiversity and nature recovery. Our expectation is that the funding will support:

- integrated delivery, with the funding targeted to those areas which will have the greatest impact in delivering the steps to take in the corporate plan.
- doing things differently, testing new ways of working across teams and with partners.
- maximising our flexibility to adapt to changing circumstances by considering delivery options such as external procurement, grants, partnerships, placements, apprenticeships and temporary staff rather than defaulting to permanent staff.

The proposals will be scrutinised by our Executive Team and the Board's Finance Committee before formal endorsement by the Board at the March meeting, as part of the 2025/26 Budget and Business Plan, and we will discuss our plans with your officials in due course at the Sponsorship meeting.

## IR35

The HMRC enquiry into NRW's historic tax treatment of Off Payroll Workers under IR35 regulations continues.

NRW recently engaged professional advice from Deloitte, who have provided a report on their review of NRW's historic engagement of these contractors. The report is due to be considered by NRW Board this month. Subject to Board approval, Deloitte will write to HMRC by the end of February setting out our position and the extent of liability accepted. HMRC would then be in a position to review the individual and personal service company taxation circumstances of the contractors concerned to calculate the final liability due from NRW, including any interest and penalties.

NRW has already made a payment on account of £19m using funds advanced from Welsh Government in March 2024. The final liability cannot yet be confirmed until the HMRC calculations are completed, but Deloitte and NRW have provided the Board with updated estimates of the expected liability.

NRW has agreed a repayment instalment of the funds advanced for 2024/2025 with Welsh Government and has submitted a proposal for future repayments of the balance, which will be subject to the final settlement figure with HMRC.

NRW, HMRC and Welsh Government colleagues continue to meet on a weekly basis to monitor progress and agree milestones towards resolution.

NRW has set up a Board IR35 Working Group to provide oversight and a strategic steer to Deloitte and the NRW team.

Good progress is being made towards a resolution and all parties expect the enquiry to be concluded in time for reporting in the NRW Annual Report & Accounts for 2024/2025.

## Planning and infrastructure

NRW is a statutory consultee in both the planning application, and development plan making processes. When consulted, we advise on how planning policies and development proposals should protect and enhance the environment and allow for our natural resources to be sustainably managed. Our Consultation Topic List sets out when we want to be consulted in relation to a planning application.

Our advice is informed by the information submitted by the applicant, our expertise, and the Welsh Government's aspirations and policies for the environment as set out in national planning policy, and relevant legislation. It is the role of planning authority to determine planning applications and in so doing they will consider our advice alongside information submitted to them from the applicant, the public, other advisors (e.g. their own local ecologists), and other parties as appropriate.

During the reporting period 1st April 2023 to 31st March 2024, we received 7,964 planning application consultations. We responded to 7,982 consultations, with 7,910 (99%) of those submitted within a statutory or other agreed deadline. There is a growing pressure on our DPAS service and the need to negotiate extensions to meet deadlines and the number of consultations involving Developments of National Significance are continuing to increase. These schemes usually involve a significant level of resource commitment across a number of specialisms within NRW.

In response to the increasing number of consultations involving major infrastructure which incur significant staff time and effort at NRW, and other pressures common across Wales's public sector, we have developed a Planning Service Strategy in ensuring a resilient NRW planning service. This includes optimising opportunities for increasing the provision of standing advice to empower decision-makers to make environmentally informed decisions without consulting NRW for bespoke advice. This will represent a change in our service model for planning authorities and we will engage with them as we implement our strategy.

## Water quality

Water quality issues continue to be the subject of intense public and political scrutiny, and we have had to significantly re-prioritise and adjust our workplan priorities to respond, leading to minimal service or less in some other areas of our water quality work. For example, we have set up a programme to address the problem of phosphates in Special

Area of Conservation (SAC) rivers, and we are members of the Nutrient Management Boards working on Nutrient Management Plans on potential solutions.

Water Companies Environmental performance is not where it needs to be and continues to decline with DCWW remaining a 2\* rated company (based on its 2023 performance against the metrics in the Environmental Performance Assessment (EPA)). We continue to scrutinise Water Company Performance and will report in July 2025 on 2024 performance.

We have reviewed and strengthened our regulatory position on storm overflows. NRW is chair of the Better Water Quality Task force set up between Water Companies, Ofwat, Welsh Government and NRW, who have developed and implemented a storm overflow roadmap and action plan to drive forward improvement in the performance of storm overflows in Wales.

Along with Better Water Quality Taskforce members we have progressed the majority of actions within the Storm overflow road map, including to strengthen our environmental regulation - this has been made available to stakeholders via the Welsh Government website. We will continue our work to prevent deterioration of waters, protecting our most precious designated waters included SAC Rivers and bathing waters, and continuing to address water company performance.

We continue to deliver Welsh Government funded Nature and Climate Emergency (NaCE) Capital schemes and influence action at scale through the Sustainable Farming Scheme.

Further water quality issues are emerging, resulting from an aged sewage system, poor agricultural practices, climate change and new forms of pollution, such as microplastics or pharmaceuticals.

NRW will continue to work with the water companies involved, the Environment Agency and the Welsh Government to ensure water resources are managed and used sustainably and that strategic resource scheme proposals would not cause a detriment to public water supply, other water users or the environment in Wales.

## Enforcement

Strong regulation underpins our purpose to protect, maintain and enhance Wales' natural resources so that people can live better and healthier lives, and our wildlife can thrive. We regulate a range of activities and apply a suite of enforcement responses for non-compliant or illegal activities to protect our environment, prevent pollution and tackle the climate and nature emergencies.

We adopt a risk-based approach to enforcement, taking action where there is evidence of an environmental offence and where there is public interest.

Over the past five years NRW has concluded over 4,600 new enforcement cases, comprising 4,500 offenders and over 7,000 separate enforcement charges. The reason that there are more charges than cases is because an offender can often face multiple charges.

In 2024, our enforcement activity resulted in 1,273 enforcement cases and 2,321 separate charges. When compared to 2023, these represent increases of 30% and 42% respectively. There are several factors for this, but most notable is the increased enforcement against matters relating to agriculture and water, aligning with our wellbeing goals to tackle the climate and nature emergencies, and minimise pollution.

It should be noted that our enforcement activity can, in some cases, span several reporting periods. This is normally due to the nature of our investigative and enforcement work, given the time it can take to investigate an incident, identify potential offenders, obtain legal opinion, and update our systems on progress and enforcement outcomes. This lag becomes more evident when officers are drawn into complex investigations, particularly those with links to other enforcement agencies such as the Police, the Welsh Revenue Authority and Local Authorities. Caution should therefore be taken if measuring our enforcement performance on the number of outcomes and prosecutions alone.

Our enforcement approach emphasises the importance of collaboration and partnership working between regulators, local communities and businesses to prevent environmental offences from occurring in the first place or ensure an environmentally protective response to any offence committed. This involves raising awareness of environmental issues and promoting good environmental practice, as well as working with businesses to help them comply with environmental laws and regulations. It is worth noting that our success in this area is less obvious and harder to measure. However, it is likely to result in lower levels of formal enforcement, such as prosecution.

We know that some offences may be minor or unintentional. In these cases, we may see greater benefit in seeking to educate or use fewer formal approaches. In 2024, NRW saw specific increases in advice and guidance issued as an enforcement outcome, which rose from 457 in 2023 to 1,069 in 2024. This can primarily be attributed to NRW's delivery of an inspection and enforcement programme for farms across Wales under the Water Resources (Control of Agricultural Pollution) (Wales) Regulations 2021 (the programme commenced in late-2023).

However, some offences are serious or are undertaken by offenders who do not care about complying with legal obligations. NRW is committed to using prosecution for the most serious of offences across those we regulate. We take companies or individuals to court where other enforcement tools have been ineffective or where the offence is particularly serious and in the public interest. In 2024, NRW recorded 77 prosecution cases, compared to 85 in 2023. This figure is subject to change as records are updated over the coming months, with nearly 600 cases raised in 2024 still under investigation.

Our data for 2024 also show that the total fines levied by the courts in 2024 reduced to £150,000 from over £650,000 in 2023, with the legal and other costs awarded to NRW also decreasing. This could be attributed to the nature of cases taken to court and the level of penalty available for individual charges. In addition, the total fines awarded in 2023 were significantly raised by the fine from one prosecution case, where the court awarded a £480,000 fine.

NRW understand the ongoing questions around increasing prosecutions, but the key point is that prosecution in isolation does not lead to compliance or remedy of the root cause. The other regulatory and enforcement tools mentioned above may result in a better outcome.



**Cyfoeth  
Naturiol  
Cymru**  
Natural  
Resources  
Wales

# Annual report and accounts 2023-2024



[naturalresources.wales](https://naturalresources.wales)

Pack Page 28



Noddir gan  
Lywodraeth Cymru  
Sponsored by  
Welsh Government

Published by:

Natural Resources Wales

Welsh Government Offices

Cathays Park

King Edward VII Avenue

Cardiff

CF10 3NQ 0300 065 3000 (Mon-Fri, 8am - 6pm)

[enquiries@naturalresourceswales.gov.uk](mailto:enquiries@naturalresourceswales.gov.uk)

[www.naturalresourceswales.gov.uk](http://www.naturalresourceswales.gov.uk)

© Natural Resources Wales

All rights reserved. This document may be reproduced with prior permission of  
Natural Resources Wales

## Contents

Chair's foreword .....	4
Performance Report .....	5
Chief Executive's statement.....	5
Introducing NRW.....	8
Our vision .....	8
Our values .....	8
Our well-being objectives to 2030 .....	8
NRW in numbers .....	10
Key risks summary .....	11
Finance summary .....	13
Performance summary .....	16
Performance Analysis.....	17
Accountability Report.....	32
Corporate Governance Report.....	33
Directors' Report.....	33
Statement of Accounting Officer's Responsibilities .....	36
Governance Statement.....	37
Remuneration and Staff Report (audited) .....	57
Parliamentary and Audit Report (audited) .....	71
The Certificate and report of the Auditor General for Wales to the Senedd..	72
Financial Statements.....	77

## Chair's foreword

This decade will be decisive in the global effort to halt the decline of nature and stem the impact of climate change. Launched in early summer of 2023, our corporate plan Nature and People Thriving Together clearly sets out our vision, mission, and well-being objectives to take us to that 2030 milestone. The crisis in nature and climate are inextricably inter-twined; tackling them together we can collectively find solutions that deliver for both. Across Wales, public, private and third sector organisations are operating in one of the most difficult economic contexts in living memory. We need to come together to harness our collective power and work collaboratively across disciplines and sectors to build innovative approaches making the best use of our scarce resources.

My personal focus over the last year has been on water quality and I can see the range of benefits of a more collaborative way of working. Thanks to additional funding from Welsh Government (WG), we have been working closely with officials, Ofwat and the water companies ahead of the crucial decisions on water company investment to 2030. This Periodic Price Review 24 will determine the pace and scale of improvement by Dŵr Cymru Welsh Water and Hafren Dyfrdwy in improving their assets to minimise pollution and maintain security of water supply.

In March, I hosted the fourth river pollution summit on behalf of the First Minister Mark Drakeford and Minister for Climate Change at the time, Julie James. With good progress made on the review of permits for larger wastewater treatment work, the summit focussed on broader work to improve water quality, including the Teifi Demonstrator Catchment Project, the Four Rivers for LIFE work and the practical work undertaken by Afonydd Cymru and others.

This year has seen an influx of new faces on our Board as we welcomed five new members. Seeing change on this scale at board level is usually quite challenging, but our new intake has taken this in their stride and are making great progress. I would also like to express my thanks to our outgoing Board Member, Professor Peter Rigby, who came to the end of his second term with us this year. His unique contributions have been valued and I am most appreciative of the support he has given us over the years.

Finally, I want to extend my appreciation for all of our employees for their dedication and commitment during such difficult times. I commend them for their continuing commitment and passion in ensuring that we deliver our ambitions whilst living our values.

**Sir David Henshaw**

**Chair**

**16 October 2024**

# Performance Report

Over the following pages our Chief Executive, Clare Pillman, offers her perspective on our performance over the year and we outline the purpose of our organisation, our new vision, mission, values, the key risks and issues we face, as well as explaining how we have managed delivery of our objectives this year.

## Chief Executive's statement

Organisations across the public sector are increasingly challenged with meeting intensifying service demands whilst coping with funding and budget constraints, and we are no exception to this. We have faced significant additional pressures this year, particularly in relation to managing increased costs as well as timber income volatility. We have worked hard to alleviate these pressures on our budget, such as through an external recruitment freeze and the reduction of non-staff budgets, but serious challenges remain.

We have undertaken a thorough review of all of our activities to make the further budget reductions required to set us on a sustainable pathway for the next financial year and thereafter. We are committed to maximising efficiencies to protect frontline services, but it is clear that we will need to scale back and/or stop some services. We are considering all our options, but unfortunately, there will be some difficult decisions to be made which will inevitably impact services that the public enjoy and expect. Nevertheless, we recognise that we will set a budget of over £270m next financial year, which represents a significant investment to address the nature, climate and pollution emergencies. Our new corporate plan is our north star in delivering the change we want to see for both nature and people to 2030 and beyond.

We have committed to strengthening the system for monitoring delivery against our well-being objectives so that we can be held to account by Ministers and the people of Wales. We have strengthened our performance management framework against the delivery of the Plan, including developing of ambitious impact statements to accompany the strategic indicators and supporting narratives. These ambitious impact statements are outward facing and clearly recognise we cannot achieve them alone.

Agreed this year, our accommodation strategy sets out the vision for our portfolio over the next decade, aiming to ensure that we will meet the business needs of a Category 1 responder whilst transitioning towards a net zero carbon future. Working with key public sector partners to explore synergies, we are focusing on shared services on our built estate, whilst improving staff wellbeing. The move of our central Cardiff office to a dedicated floor of the WG building in Cathays Park is part of a plan which aims to make significant emissions and efficiency savings for both us and the wider public sector, realising savings of between £3 and £4 million whilst reducing our emissions from heating and lighting by around 50% over the next ten years.

## Nature

Reflecting the recommendations of our national conversation, Natur a Ni, we are proud of our focus on nature's recovery in our corporate plan. We have warmly welcomed WG's Biodiversity Deep Dive, which has concentrated energy and focus on how Wales will meet the 30:30 commitments from COP15. The Deep Dive is now reaching a crucial stage of reporting and we look forward to its recommendations when published later this year.

We are also proud to be continuing our work as host of Natur am Byth, Wales' flagship Green Recovery project which unites nine environmental charities to deliver the country's largest natural heritage and outreach programme. With over £4m from the National Heritage Lottery Fund and welcome additional support from WG, the partnership gives much needed capacity into the natural heritage sector to save threatened species from extinction whilst reconnecting people to nature.

## Climate

As climate impacts worsen, we need to understand the investment requirements so that we, as a society, can plan effectively to manage the impact. In February, we published a report which outlines the challenges of managing and funding climate change induced flood risk in Wales over the long term.

On the ground, work on the £4.1m flood risk management scheme in Ammanford was substantially completed this winter, while in Newport, Gwent, we are about to complete a £21m scheme which includes a combination of flood walls, gates and grass embankments. These are both substantial projects which together will reduce flood risk to over 2000 homes and important industrial areas, keeping businesses open and supporting the wider local economy.

Peatlands are some of our most important habitats, not only in terms of biodiversity but carbon sequestration. Now in its fifth year, the National Peatland Action Programme is a significant project which will help us to restore those peatlands which, in addition to the excellent work being delivered as part of the Nature and Climate Emergency programme, make such a huge contribution to reversing the decline in nature and addressing climate impacts.

## Minimising Pollution

Thanks to additional WG funding, this year we have appointed and trained around 20 officers to deliver the programme of compliance inspections of high-risk agricultural activities across Wales which began in earnest in November. We are focussing efforts on water quality more widely too, working closely with our counterparts in England on impacts to the River Wye, as well as working with the multi-agency Wales Better River Quality Taskforce, to ensure that our regulatory approaches, and collective efforts to minimise pollution are fit for the future.

Our relationships with our stakeholders have never been more important, and I am pleased to see the strength of the commitment across the organisation to positively nurturing our connections with key partners such as the farming bodies, our eNGOs, and the private sector across Wales.

But as we face increasingly tricky political and economic headwinds, the polarisation of public debate means that our collective energies are often diverted from what should be our one true goal – tackling the impact of the nature and climate emergencies. Now is not the time for point scoring or personal agendas, there is far too much at stake.

It is vital that we all remember that there is far more that unites us than divides us, so that nature and people can thrive together.

**Ceri Davies**

**Executive Director for Evidence, Policy and Permitting  
and Temporary Acting Accounting Officer**

**16 October 2024**

## Introducing NRW...

We are a WG Sponsored Body. We work for the people of Wales, and it is our duty to pursue the sustainable management of natural resources (SMNR). [These guiding principles](#) underpin everything we do, including how we use our connections and bring people together to create and deliver shared outcomes for nature, climate and minimising pollution.

We share with many other organisations and individuals a love and passion for nature, detailed knowledge and expertise, as well as pride in supporting communities across Wales to take action.

## Our vision

Nature and people thriving together.

## Our mission:

Focussing our passion and collective action towards:

- Nature's recovery
- Resilience to climate change
- Minimising pollution

through the [sustainable management of our natural resources](#).

## Our values

We are proud to serve the people of Wales by being:

- *Connected*: we value our deep-rooted attachment to the land and water, nature and communities of Wales and build meaningful partnerships
- *Bold*: we use our voice, take action to make a difference and lead by example
- *Caring*: we listen to understand, care for each other and the communities we serve, and the environment we all depend on
- *Resourceful*: we explore new ways of doing things, innovate to accelerate change and use our resources effectively.

[These values](#) are intrinsic to the successful delivery of our new vision and mission.

For information on how our organisation is structured to deliver, please see our Accountability Report ('[Our governance structure](#)' in this report, or our website [here](#), for further detail).

## Our well-being objectives to 2030

By 2030 in Wales:

- Nature is recovering;
- Communities are resilient to climate change; and
- Pollution is minimised.

By focussing on the three well-being objectives *together*, we will protect and enhance the well-being of future generations.

## NRW in numbers

By well-being objective, some key figures related to our activity, including work with others, along with (just one<sup>1</sup>) the reason why each is important:

### Well-being objective 1: Nature is recovering

We are supporting nature's recovery through:

- Designation of 1,168 [Welsh sites](#) as a Site of Special Scientific Interest (SSSI), Area of Outstanding Natural Beauty (AONB), National Nature Reserve (NNR) and/or National Park supporting the future of these areas
- Directly supporting 46 [nature networks projects](#) to bring about habitat and species recovery
- Issuing 1,712 [species licences](#) so the needs of species are taken into account for activities that would impact them
- Managing 56 [National Nature Reserves](#) (some in partnership with others) encouraging people to explore, enjoy and value these special sites

### Well-being objective 2: Communities are resilient to climate change

We are supporting communities' resilience to climate change through:

- Membership of all 13 Public Services Boards in Wales, sharing and [developing our plans for the future](#) to address the challenges we face
- Responding to 7,982 [planning application consultations](#) to ensure our position on development proposals is clearly stated, including any conditions expected
- Generating £32m in timber income supporting the ongoing [sustainable management of the woodland estate](#)
- Maintaining over 3,900 flood risk management assets in managing the risk of future flooding
- 109,346 properties registered to receive [flood warnings](#); providing advanced warning of expected, or possible, flooding

### Well-being objective 3: Pollution is minimised

We are supporting minimisation of pollution through:

- Securing 85 [prosecutions for environmental offences](#) in 2023 as part of our approach to fulfilling our regulatory responsibilities
- Receiving around 25,000 [general enquiries](#) via phone or email helping people with their service queries and requests in Welsh/English
- Responding to 10,845 reports of environmental incidents, and with 198 [environmental incidents](#) causing serious (major or significant) impact

---

<sup>1</sup> There are a number of reasons why each figure is important, though only one is stated. We have grouped the items on this page by well-being objective, though most relate to achieving all the well-being objectives.

## Key risks summary

Risk is inherent in everything we do. The launch of our new Corporate Plan provided an opportunity to review key risks to the achievement of our well-being objectives. As outlined in our [Accountability Report](#), our risks are identified, assessed, managed, reviewed, scrutinised and recorded.

Our strategic risks are those that could have the biggest and most profound impact on our achievement of our objectives. The six risks below are being actively managed by a Director level risk owner together with their risk manager(s). Each strategic risk has a risk appetite level set by the Board. A summary of our key risk areas, and how they have changed, is as follows:

## Financial sustainability

We need to operate a balanced budget and ensure that our decision making positively affects our long-term financial sustainability to deliver the corporate plan. The external impacts of inflation, increasing costs and challenges within the supply chain increase the need for effective risk management, clear understanding of our risk appetite as well as the need to be agile and adaptable to the constant changes and economic volatility. See [‘Chief Executive’s Statement’](#) and [‘Finance summary’](#) for more around this.

## Organisational resilience

We need to adequately prepare for any large-scale events that may cause significant business disruption e.g. a cyber security attack or a severe weather incident. The risk focuses on our need to ensure that we plan for, respond to and recover from any such events by undertaking horizon scanning, scenario planning and having effective business continuity and disaster recovery plans in place. See *Accountability report* [‘Information Assurance’](#) for more around our approach to cyber and information security and *Performance Analysis* for [‘Serious incident attendance’](#).

## Health and Safety

As part of our operational delivery, we undertake inherently high-risk activities which include working with heavy machinery, working in water, working with chainsaws and often on difficult terrain. The risk focuses on ensuring that we have the infrastructure, training and competencies in place and that we manage those risks in line with the requirements of the Health and Safety at Work Act to reduce both the likelihood and impact of the risk. See *‘Wellbeing, Health and Safety’* quarterly [Board papers](#) for more.

## Values and ways of working

This risk focuses on the need to ensure that our ways of working and values align to deliver the corporate plan. Our operating model, governance structure, prioritisation methodologies, risk appetite, behaviours and practices that support our values need to underpin the delivery of our well-being objectives. See *‘Performance Analysis’* [examples relating to draft impact statements around values and behaviours](#) for more around this.

## People

We need to utilise the skills, knowledge, expertise and experience of our staff in a way that optimises our delivery. The right people need to be deployed in the right places and as an organisation we need to ensure that there is flexibility in our structure and that prioritisation and resource / succession planning aligns with our corporate plan. See '[Remuneration and Staff report \(audited\)](#)' for more around this.

## Political, legislative, economic environment

We need to read, anticipate, influence, plan for, adapt and respond to changing political, legislative and economic circumstances affecting our activities. The changing political landscape across Wales and the UK has created a need to ensure that we keep pace, strengthens relationships, utilises and builds networks locally, nationally and internationally to help facilitate transformative action. We need to take all opportunities to support the delivery of our well-being objectives by working effectively with our customers and stakeholders. See '[Performance Analysis](#)' examples relating to draft impact statements around collaborative action for more around this.

## Finance summary

Our total income for the year was £134million and this included £34million of grants from WG towards a range of outcomes. In addition, the WG provided £141million Grant in Aid, of which £58million was allocated to flood and coastal risk management. WG also provided £3million in Working capital funding. In the financial statements, Grant in Aid and Working capital funding is recorded as 'Funding from WG' and treated as a contribution from a controlling authority and not a source of income.

In 2023/24, our expenditure increased from £272million to £300million. The change in expenditure is due to several reasons including an increase in staff costs mainly due to our pay award and the cost of living payment (our staff numbers actually decreased) and the delivery of our capital programmes. We reduced costs in a number of areas (bought in services) in order to afford the impact inflation and reduced timber income had on our budgets. Our total funding and spend distribution:

- Funding by type:  
Funding from WG (52% / £144m),  
Charges (18% / £50m),  
Commercial and other income (17% / £46m),  
Other WG grants (12% / £34m),  
European and other external (1% / £3m)
- Expenditure by type:  
Staff costs (44% / £131m),  
Capital works expensed in year (16% / £48m),  
Other expenditure (40% / £120m)

## Managing our money

In 2023/24, our 'core' funding from WG remained at similar cash levels to the previous financial year. Also, WG continued to provide us with specific grant funding for programmes targeted at addressing the climate and nature emergency. We maintained our investment into externally funded programmes – investing more than £5million into programmes funded from Europe and the Heritage Lottery. Our timber income saw a decrease as the economic situation impacted on demand for timber and our renewable energy income levels also reduced from a high the year before. Charge income levels have increased moderately following the introduction of revised permitting and application fees. The budget was approved by the Board and scrutinised throughout the financial year by the Executive Team and the Board.

## Future look

We have published our new Corporate Plan to 2030 and Business Plan for 2024/25 which sets out our priorities for the financial year(s) ahead. We have set our plans based on expected resources, including Grant in Aid, charges and commercial income allocations and estimates. We have just received approval for our charges for 2024/25. Our commercial income can be less predictable as it's very sensitive to exchange rate changes and WG have introduced a threshold to protect us from reductions in timber income. WG have confirmed our Grant in Aid allocation for 2024/25 at a similar cash level but our biggest challenge is affording the impact of pay and inflation levels and we are currently assessing how we will make changes to our services so they are affordable.

## Non-current assets

The value of our non-current assets was £2,750million at 31 March 2024, a 0.7% (£19million) decrease compared to last financial year. The most significant component is the value of the forest estate and biological assets which accounts for £2,146million a 4% (£89m) decrease due to a combination of downward valuations of crops offset by increases in the underlying land valuation.

## Payment of trade and other payables

We have a commitment to pay 95% of suppliers within 30 days and we aim to exceed this target wherever possible. Performance for this year was 96%.

## Debtor performance

Our continued management of commercial debt has seen a slight decrease in commercial debt, with the average number of days for customers to pay at 0 days compared to 1 day in 2022/23, which is within our target of 2 days.

Our management of regulatory debt has seen a level of debt remaining the same at 6.5% in 2022/23 and 6.5% at the end of 2023/24, which was still below our target of 7%. We will aim to set a target that improves upon the 6.5% for 2024/25, this may be difficult in the current climate.

Our expected credit loss is £0.2million as at 31 March 2024.

## Going Concern

The Statement of Financial Position at 31 March 2024 shows positive taxpayers' equity of £2,683million. The future financing of our liabilities is to be met by the WG Grant in Aid and the application of future income. We have an approved Corporate Plan and Business Plan for 2024/25. Therefore, it is appropriate to adopt a going concern basis to prepare the Financial Statements.

## Pensions

The pension liability/surplus is disclosed in the Financial Statements based on International Accounting Standard 19. The surplus has decreased for the Local Government Pension Scheme from £65million to £58million in 2023/24.

This is different from the basis used for funding calculations. The Environment Agency Pension Fund has estimated that it had enough assets to meet 153% of its expected future liabilities at 31 March 2024.

## Auditors

Our accounts are audited by the Auditor General for Wales. The audit fee for 2023/24 is anticipated to be £213k.

## Other reports

As an organisation, we regularly publish a number of reports, many of which can be accessed [here](#) including: this Annual report and accounts, an Equality, diversity and inclusion annual report, and an environmental report. Strategies and plans for Wales are available [here](#), including our [new Corporate Plan](#), our [Commercial strategy](#) and [Area Statements](#) (which outline priorities, risks and opportunities for areas of Wales). Published research and evidence reports can be accessed [here](#) (including the [State of Natural Resources Report \(SoNaRR\) for Wales 2020](#)).

## Performance summary

All measures in our Business Plan dashboard relate to our Well-being Objectives, as set out in our new [Corporate Plan](#). The dashboard reflects a representative selection of measures aligned to the well-being objectives we are working towards, providing an overview of our work. Alongside these selected measures there is a vast amount of other work taking place. Under intensifying service demands, challenging funding and budget constraints, we have faced significant additional pressures this year. We have worked hard to alleviate these pressures on our budget, including through an external recruitment freeze and reduction of non-staff budgets. All this has had impacts across the organisation with some activity slowed, or not achieved, as a result.

As outlined in our [Accountability Report](#), the reporting and scrutiny of measure reports in the dashboard takes place in open public session at our Board meetings four times a year, with further scrutiny of this reporting via WG.

At the end of the 2023/24 year, the dashboard included 22 measures, of which:

- 15 were Green (i.e. achieved target or milestone)
- 6 were Amber (i.e. close to target or milestone)
- 1 was Red (i.e. missed target or milestone)

Comparing performance with the previous year (2022/23), at the end of 2023/24 we had five less measures amber or red, and four less green measures (and the 2023/24 dashboard reflected nine less measures overall<sup>2</sup>).

Our reports for previous years can be viewed [here](#) (see 'Annual Reports and Accounts').

---

<sup>2</sup> It should be noted that as the nature, form, detail and context of our dashboard measures can vary to some extent each year, the reported measure positions will not always be directly comparable.

## Performance Analysis

This part of the performance report aims to reflect some of what has been achieved this year, including examples reflecting particular highlights and significant areas of challenge.

By Well-being Objective, we outline:

- Year end (summary) position<sup>3</sup> for each of our Business Plan dashboard measures
- Some of our planned priority activity for the coming year
- A number of related delivery examples

Delivery relationships are also indicated with:

- [Wales's Well-being Goals](#)<sup>4</sup>, for each of our three Well-being objectives
- [Draft impact statements](#)<sup>5</sup>, for selected delivery examples

---

<sup>3</sup> To see our in-year reported positions on all these measures, please refer to our [published Board papers](#).

<sup>4</sup> The relationship between our Well-being objectives and Wales's Well-being Goals is described with our [Well-being statement](#). The statement reflects how our Well-being objectives were set and how we are maximising our contribution to Wales's Well-being Goals

<sup>5</sup> The [relationship between our Well-being Objectives and draft strategic indicators](#) (see page 6), shown at the level of the subheadings reflected for each of our Well-being Objectives

## Well-being objective 1: Nature is recovering

*More Equal, Healthier, Resilient, Prosperous, Globally Responsible, Vibrant Culture and Thriving Welsh Language, Cohesive Communities*

### What is needed to ensure nature's recovery?

*"This means taking urgent action to halt and reverse the decline in biodiversity, and to build the resilience of ecosystems so that nature can adapt to a changing climate and continue to provide the basis of all life – clean air, clean water, food and a stable climate. Wales needs to act now to avoid catastrophic ecosystem collapse."*<sup>6</sup>

Our Corporate Plan outlines that we will take action to ensure nature's recovery is secure by 2030 through: Protecting nature; Restoring nature; Ensuring nature is respected and valued in decision-making; Reconnecting nature, people and communities; Being an exemplar nature positive organisation; and Recovering nature in our communities. Each year, our [Business Plan](#) includes our priority commitments for the coming year. Our Business Plan for 2024/25 reflects our latest annual priority commitments, including: delivery of the Nature Networks Programme; designation of a new national park; and informing development of the Sustainable Farming Scheme. Looking back over the last year, by the end of 2023/24, we:

- *Promoted a shared vision for the natural environment to 2050 ([Natur a Ni / Nature and Us](#)). Measure status: Green (see '[Shared vision, and our plans for the future](#)')*
- *Completed priority actions on protected sites to improve the condition of features, with Nature Networks capital funding supporting the majority of those completed. Measure status: Green*
- *Progressed our water quality review, though a design contract delay means a new 'sentinel' monitoring network design will now be delivered during 2024/25 due to uncertainty over project funding and pressures on staff. Measure status: Amber*
- *Acted for declining species or those on the edge of extinction, including through [Natur am Byth](#). Measure status: Green*
- *Continued to develop and implement a programme to examine a new National Park (in North East Wales). Measure status: Green*
- *Delivered on Wales Marine Protected Area (MPA) network management actions, including around Climate Change profiles. Measure status: Green*
- *Managed, and input to, programmes to address and restore habitat across Wales, including delivery for nature networks and LIFE programmes. Measure status: Green*

We have included more detail around some of the above on the following pages.

---

<sup>6</sup> See [Our Corporate Plan](#) for more detail, on what our organisation is doing (including with others) to tackle this

## Shared vision, and our plans for the future

**The Nature and Us Vision for Wales was created by people in Wales and describes a future where nature and society thrive together, along with changes we need to make to achieve this. The Vision, and wider experience of the Nature and Us programme, provide valuable tools for enabling collaborative action towards nature's recovery.**

The [Nature and Us Vision for Wales 2050](#) was created by a Citizens' Assembly hosted by us in early 2023. The Vision was released during the Summer of 2023 and identifies six themes for action *if* nature and society are to thrive together. The Vision builds on the views of thousands of people who took part in the Nature and Us national conversation in 2022.

The Nature and Us conversation informed our Corporate Plan to 2030 'Nature and People Thriving Together' (published in March 2023) and our three Well-being Objectives built upon Nature and Us findings. In December we published our response to the Vision in an [open letter](#).

This year, a process evaluation of the Nature and Us programme is providing us with valuable insight into its strengths and weaknesses, and is recommending ways to embed our learning – improving our impact and effectiveness. The evaluation completes in April 2024, and we will be sharing its findings across our organisation and with partners.

The Nature and us Vision for Wales 2050 will continue to influence our work over the coming years, though the Vision is clearly not something our organisation can achieve alone. We will continue to build and strengthen partnerships across the Welsh public sector to accelerate the impact of this work, share collective knowledge and show leadership towards making the Vision a reality. To achieve the vision, we know action is needed now; by people, government and organisations across Wales.

Linked draft impact statement(s): Biodiversity, Climate change, Pollution, Social and environmental justice, Collaborative action, Values and behaviours

## Sharing our data, tackling challenges

**Data sharing supports delivery of wellbeing objectives across Wales. We publish several hundred data assets on [Data Map Wales](#) and maintain extensive records online elsewhere. Such data sharing supports compliance with regulations and is used for developing collaborations. We have improved our approach to data sharing over 2023/24, whilst also making improvements around data quality and accessibility.**

The need for data sharing is reflected within our corporate plan and is crucial for developing collaborations, ensuring that our key information is used more effectively. For example, activity around restoring nature, where we have said we will be sharing monitoring data with others and establishing a series of demonstration platforms.

We [publish over 200 data assets](#), consisting of more than 500 individual datasets through Data Map Wales. We provide access to over two million species occurrence records via the [National Biodiversity Network Atlas](#). We also maintain a catalogue of data we hold on our website, for over 1,500 datasets in [Data Discovery](#) (our metadata database).

Sharing data in an open, transparent, and readily accessible manner is a key part of evidence-based decision-making for Wales's natural environment. And also a part of ensuring our compliance with the related regulations. As part of our work around data sharing, we:

- Identify sensitive data to ensure that only legally permissible information is published.
- Reflect data quality through metadata, redact data known to be of poor quality, and/or clearly mark any limitations to use.
- Utilise technology to automate publishing, ensuring the latest evidence is readily available

Data sharing, along with other related activities, further underpin the achievement of wellbeing objectives and the Sustainable Management of Natural Resources; allowing the evidence to be utilised within external-facing data platforms such as our [Environmental Information Portal](#), for the [Teifi demonstrator project](#), and in the future, through part of a freshwater portal proof of concept being developed by Cardiff University.

A key example is the publishing of our [Water Quality Archive](#) on Data Map Wales in May 2023, which is updated monthly. This is free for the public to access, enhances transparency and support engagement in relation to water quality. The archive is a key evidence base for both marine and freshwater bodies in Wales, expanding the reach of this evidence, and also providing efficiencies via self-service access to this information.

Linked draft impact statement(s): Collaborative action, Values and behaviours

## Preparing the next State of Natural Resources Report (SoNaRR)

**We have started to bring together evidence for the next State of Natural Resources Report, building on our last report. An Interim report, in December 2024, will set out our plans for our next report in detail.**

Our third assessment of Wales's sustainable management of natural resources, the State of Natural Resources Report (SoNaRR2025), will be published in December 2025, following on from the publication of an interim report in December 2024. We expect this next SoNaRR to continue to be an important evidence base - convening and informing action across Wales - delivering better outcomes for nature and people, whilst continuing to provide a clear line of sight to underpinning evidence. SoNaRR:

- Provides evidence and Welsh context around climate change, pollution and other drivers of change;
- Reflects the pressures on, and state of, our natural resources - including biodiversity, water, air, soils and the ecosystems of Wales;
- Describes impacts on the wellbeing of the people of Wales and beyond;
- Sets out opportunities for action for policy makers and planners to improve Wales's sustainable management of natural resources.

During 2023, we planned the assessment and started work to update the evidence. The last SoNaRR, [SoNaRR2020](#), set out how Wales is starting to bridge the gap to sustainability, by using the well-being goals and ways of working under [the Well-being of Future Generations \(Wales\) Act](#), together with the [SMNR principles](#) from the Environment

(Wales) Act. SoNaRR2025 will update the evidence, including the [SoNaRR2020 opportunities for action](#), describe what has been done and any new proposed actions.

The [last interim \(Draft\) report](#), in 2019, introduced [four measures of SMNR](#) and [focussed on the main challenges to Wales's natural resources](#) - climate change and biodiversity loss. [Two integrated opportunities](#) (circular economy and green infrastructure) were outlined to manage resources for the benefit of nature and people

Following the publication of the 2019 interim report, the measures were described as Aims. The assessment against the aims (stocks of natural resources, resilient ecosystems, healthy places and regenerative economy); and the evidence behind the challenges; and taking a whole systems approach, were explored further in the final SoNaRR2020.

In SoNaRR2025, we are expecting to develop the evidence and policy messages around the integrated development challenges of: Human health and the environment; Cultural well-being and the environment; and Economic well-being and the environment. All have direct links to our new corporate plan and well-being objectives (which have used the evidence in SoNaRR2020 in relation to their development), whilst also reflecting our organisation's ambition: to be bold, collaborative and lead on best practice.

Linked draft impact statement(s): Biodiversity, Climate change, Pollution, Social and environmental justice, Collaborative action, Values and behaviours

## Well-being objective 2: Communities are resilient to climate change

*More Equal, Healthier, Resilient, Prosperous, Globally Responsible, Vibrant Culture and Thriving Welsh Language, Cohesive Communities*

### What is needed to ensure resilience to climate change?

*“This means taking urgent action to reduce greenhouse gas emissions and accelerate action to adapt to climate change, reducing the risks and impacts to all sectors of the economy whilst contributing to the WG ambition for a carbon neutral public sector by 2030, and a net zero Wales by 2050”<sup>7</sup>*

Our Corporate Plan outlines that we will take action to ensure community resilience to climate change will be secure by 2030 through: Nature-based solutions being adopted widely; Risks of climate change managed and adapted; Climate emissions reduced; Sustained action on climate change taken by people, communities and businesses; Being an exemplar organisation for a carbon positive public sector; and Making nature and communities resilient to climate change. Each year, our [Business Plan](#) includes priority commitments for the coming year. Our Business Plan for 2024/25 reflects our latest annual priority commitments, including around: priority actions in our net zero plan; delivery of a new flood warning system; and scaling up delivery of the National Peatland Programme.

Looking back over the last year, by the end of 2023/24, we:

- *Reduced flood risk (or sustained protection) for 1,047 properties via capital schemes. Measure status: Green*
- *Maintained flood risk assets, achieving 97.2% (target 98%) at target condition within high-risk systems. Prolonged periods of wet, stormy weather have caused new defects, impacted ability to fix existing defects and meant resources being directed to reactive incident management. Measure status: Amber*
- *Offered 706,000m<sup>3</sup> of timber to market. Measure status: Green*
- *Created new woodland on the land in our care, compensating for losses, with 504ha of land acquired for this in recent years though unable to meet our target for this year due to supply issues. Measure status: Amber*
- *Acted to restore Wales’s peatlands, exceeding 450ha of peatland restoration activity (including 131ha on land in our care). Measure status: Green (see [‘National Peatland Action Programme’](#) for more on this)*
- *Progressed but did not complete our fleet and built estate commitments. A change of approach to procurement and staff resource issues has caused more than a nine-month delay. Measure status: Red*
- *Implemented flood review recommendations/actions, with 31 remaining as longer-term actions. Measure status: Green*
- *Produced the updated [Flood Risk Management Plan \(FRMP\) for Wales](#). Measure status: Green (see [‘Our Flood Risk Management Plan’](#) for more)*

We have included more detail around some of the above on the following pages.

---

<sup>7</sup> See [Our Corporate Plan](#) for more detail, on what our organisation is doing (including with others) to tackle this

## Improving the Marine Protected Area network through the Marine Nature Networks Programme

Through our three year Marine Nature Networks programme we are delivering a suite of projects focussed on priority issues affecting the management and condition of the [Marine Protected Area Network](#). Projects aiming to: prevent negative impacts on ecosystems; support resilient coastlines and restore saltmarsh.

Through our three year Marine Nature Networks programme (2022-2025) we are delivering a [suite of projects](#) focussed on priority issues affecting the management and condition of the Marine Protected Area (MPA) Network. The MPA network, forming around 70% of the Welsh inshore area, is key for enabling the Sustainable Management of Natural Resources and recovering nature at sea.

Projects we have been working on include:

- **Development of biosecurity plans** for six Special Area of Conservation (SAC) sites, including Cardigan Bay SAC and the Dee Estuary SAC, in order to prevent incursions of Invasive Non-native Species (INNS), such as the slipper limpet, which can have a devastating impact on ecosystems. The work has included holding a series of online and face to face workshops with stakeholders, such as recreational boating and fishing communities, to discuss effective measures preventing the spread of INNS.
- **Understanding the likely scale of habitat loss** of Marine Protected Area features due to coastal squeeze, and identifying where opportunities for adaptation may exist; Loss of intertidal and coastal habitats as sea levels rise is increasingly impacting on the MPA Network. Evidence critical in informing future management to enable resilient coast lines.
- **Restoring saltmarsh** in the Severn Estuary SAC, where at Rumney Great Wharf, we are implementing a project creating and reinstating 'sedimentation polders' (fencing, reducing water movement, to form saltmarsh in time). This year's focus was creating a suitable design recognising the Severn Estuary is highly dynamic with extreme tidal ranges and the design had to be: feasible, support sediment build-up and withstand the physical pressures in this environment. We have also established collaborations with Universities to support monitoring and build understanding of this type of restoration.

We have made good progress in delivery and engagement with relevant partners and stakeholders this year and move into the final phase of project delivery in 2024/25.

Linked draft impact statement(s): Biodiversity, Climate change, Pollution,  
Collaborative action

## Our Flood Risk Management Plan

**Our Flood Risk Management Plan sets out our priorities, planned measures and actions we will take through to 2029 - ensuring communities are resilient to flooding in the face of a changing climate and more extreme weather events.**

We published our updated [Flood Risk Management Plan](#) in November 2023. The plan covers all of Wales and sets out the priorities for managing flood risk through to 2029 for the areas of flooding for which we have lead responsibilities: flooding from rivers,

reservoirs and the sea. The plan is separated into an overarching national section alongside six place focussed sections. The set of measures and actions included in the plan will address the overall objective of reducing the risk to people and communities from flooding from main rivers, reservoirs and the sea, and support the delivery of the 14 priorities we have set out in the plan. All the priorities in the plan are equally important, with some of these around:

- Developing and delivering catchment approaches to reduce flooding and contribute to ecosystem resilience, working with partners and stakeholders;
- Improving community resilience to flood risk;
- Seeking and taking opportunities for the health and wellbeing of communities, biodiversity and the environment;
- Improving our flood warning service.

The plan highlights how climate change impacts must be factored into our actions, the long-term adaptation requirements specific to key areas and the contribution natural flood management can make to managing flood risk. As part of this, the plan includes the latest projections around properties at risk in Wales now, and in the future (2120). We will use the plan as a basis for more informed decision-making and discussions around delivery with partners, so that investment in reducing flood risk is targeted to the communities likely to be affected most.

One of our priority commitments for 2024/25 focusses on the delivery of a new flood warning system.

Linked draft impact statement(s): Biodiversity, Climate change, Pollution, Social and environmental justice, Collaborative action, Values and behaviours

## **Restoration activity on peatland through the National Peatland Action Programme**

### **We are restoring peatland through the National Peatland Action Programme (NPAP) - working with delivery partners, and the land in our care.**

Since its start in 2020, the [National Peatland Action Programme](#) has made significant strides in peatland restoration activity across Wales and we consider this to be an exemplar of a nature-based solution - reducing carbon emissions and improving biodiversity (Low Carbon / High Nature). The approach to restoration also sees economic benefits through job creation, as well as sustainable land management practices being put in place. Over the year, we have:

- Exceeded a 2023/24 target of 450ha per annum of peatland restoration activity - through direct delivery on the land in our care and other areas of land (in partnership with other landowners and land managers);
- Launched our new competitive restoration delivery grant.
- Funded a total of 18 partners;
- Held our [first National Practitioners event](#) to share best practice, including around what does (and doesn't) work 'on the ground'.

WG have tasked us to grow the National Peatland Action Programme to help address Nature and Climate emergencies, building on an [October 2022 commitment](#) to tripling the annual target of peatland being restored – to reach 1,800 hectares (per annum) by 2030/31.

Reaching 1,800 hectares per annum would put Wales on a trajectory capable of delivering the land use (peatland) component of net zero by 2050 - with a 38% reduction in greenhouse gas emissions from Welsh peatlands by 2050. With a budget of £5.6M for 2024-25 we will continue to scale up the NPAP programme, as one of our priority commitments for 2024/25, increasing staff numbers for this and in turn the hectares of peatland restored.

For more on Peatland restoration action through NPAP, and previous reports on this, please see: [National Peatland Action Programme](#)

Linked draft impact statement(s): Biodiversity, Climate change, Collaborative action, Values and behaviours

## Learning in, learning about and learning for the natural environment

**We develop and deliver education programmes for the education and health sectors; Knowing every child and young person has the right to live, learn, play and grow up in a healthy and sustainably managed natural environment.**

Recognising the role that children and young people have in the future sustainable management of our natural resources, coupled with [our responsibilities as a Children's Rights organisation](#), we continue to develop and deliver our education programmes for both the education and health sectors. Our outdoor learning, climate and nature education programmes help to ensure children and young people can benefit from increased attainment, increased opportunities for physical activity and the improved mental health and well-being a connection to nature can provide.

Our well-being objectives and the need to sustainably manage our natural resources run throughout our bilingual education [resources](#) to support all educators and settings to deliver across the Curriculum for Wales. We are now seeing these resources used by other groups and organisations to support formal and informal curricula.

Our face-to-face and webinar based [training](#) sessions are also being picked up by those outside of the education sector, whilst our continued use of the 'Mantle of the Expert' technique has seen teachers change their practice, and willing to share their experiences supporting learners via our blog series (e.g. in relation to [growing food](#), and [in primary/secondary school transition](#))

Working with our partners in [Wales Council for Outdoor Learning](#) we deliver Wales Outdoor Learning Week which sees the sector come together to celebrate. Our work with partners in [Outdoor Learning Training Network Wales](#) helps ensure the standards and quality of an ever-expanding range of Agored Cymru qualifications. Our work with Qualifications Wales is helping to ensure the natural environment and sustainability issues are woven throughout the revised 14 to 16 curriculum and we continue to expand our placement opportunities within the organisation, currently hosting 6 apprentices in Enforcement and 12 higher education students in our Waste regulation function. Volunteers support us at Cynrig Hatchery and on Gower and in summer 2023 we welcomed 22 students for work experience across our teams and Wales.

Other support includes: our monthly newsletter now expanded to include health and well-being, support for [self-led visits](#) on the land we own and manage; providing [advice and guidance](#) on the benefits of spending time in nature; highlighting the benefits of a

[connection with nature](#) leading to pro-environmental behaviours; our Education, Learning and Play YouTube [playlist](#) and campaigns like [Acorn Antics](#)

Linked draft impact statement(s): Biodiversity, Climate change, Pollution, Social and environmental justice, Collaborative action, Values and behaviours

## Well-being objective 3: Pollution is minimised

*More Equal, Healthier, Resilient, Prosperous, Globally Responsible, Vibrant Culture and Thriving Welsh Language, Cohesive Communities*

### What is needed to ensure pollution is minimised?

*“This means taking action to minimise those things that harm human health, biodiversity and contribute to greenhouse gas emissions, while simultaneously driving down waste by ensuring the reuse and substitution of materials in key sectors of the Welsh economy.”<sup>8</sup>*

Our Corporate Plan outlines that we will take action to ensure nature and people will be protected from the impacts of pollution by 2030 through: Effective use of regulatory tools and approaches; Risk-based incident response; Resource efficiency and wide adoption of the use of alternative materials; Pollution minimisation by people, communities and businesses; Being an exemplar organisation for zero pollution and waste; and Minimising pollution in our communities. Each year, our [Business Plan](#) includes priority commitments for the coming year. Our Business Plan for 2024/25 reflects our latest annual priority commitments, including around: implementation of the new workplace recycling legislation; minimising pollution of rivers and seas; and reviewing our approach to incident management. Looking back over the last year, by the end of 2023/24, we:

- *Subjected compliance breaches to further follow up compliance activity* within six months. Measure status: Green
- *Acted to reduce the impact of nutrients in SAC rivers*, including through changes to over 100 permits. Measure status: Green (see [‘Our water’](#) for more on this)
- *Progressed activities to reduce pollution from metal mines*. Measure status: Green
- *Completed all action within our control in regard to Water Company Planning Programmes* however due to delays from Ofwat, final input into their PR24 draft determination is delayed. Measure status: Amber (see [‘Our water’](#) for more on this)
- *Progressed programmes to review statutory water quality requirements* however, we have not completed the review of progress with the River Basin Management Plans (RBMPs) which will continue into May 2024. Measure status: Amber
- *Responded to incidents*, exceeding our 95% target for response within four hours to incidents classed as ‘high’ category. Measure status: Green
- *Decided on appropriate enforcement responses* (to environmental crime) publishing related reports, though not all decisions met our 95% target within three months, due to the increasing impacts of resource restrictions. Measure status: Amber (see [‘Our water’](#) for more on this)

We have included more detail around some of the above on the following pages.

---

<sup>8</sup> See [Our Corporate Plan](#) for more detail, on what our organisation is doing (including with others) to tackle this

## Working with Network Rail

**This year we reaffirmed our close working relationship with Network Rail through the renewal of a Memorandum of Understanding – a partnership which enables us to work together in addressing nature recovery, enhancing community resilience to climate change and minimising pollution.**

We have continued to strengthen a vital partnership with Network Rail which actively supports our shared areas of focus relevant to our mutual objectives. We have focused on setting the future direction needed to address our common goals through this year's [renewal of a Memorandum of Understanding \(MoU\) between our organisations](#) for substantial environmental and community-focused benefits in the coming years.

Our joint annual objectives focus on a variety of areas across the new MoU's annexes (Flood Risk & Asset Management, Coastal & Marine, Biodiversity and Ecosystem Resilience and Incident Management) as well tackling more complex issues to improving the efficiency of licensing and permitting processes; All areas essential for accelerating our joint response to environmental challenges and a more sustainable interaction with natural resources.

Our organisations have already helped each other in relation to coastal and rivers schemes to reduce flood risk, protect habitats, manage land and better plan projects since the creation of the original MoU in 2016. Past partnership working between us has included remedial work following a freight train derailment (in 2020, at Llangennech) involving the excavation of 30,000 tonnes of fuel-soaked soil.

In adhering to the principles of Sustainable Management of Natural Resources (SMNR), we seek opportunities to work collaboratively on projects and day-to-day operations. We believe our joint working helps to mitigate immediate environmental risks and sets a precedent for responsible environmental stewardship across Wales. In the upcoming year, we aim to build upon our partnership with even greater vigour, ensuring that we continue to work towards a resilient, thriving natural environment.

Linked draft impact statement(s): Biodiversity, Climate change, Pollution, Social and environmental justice, Collaborative action, Values and behaviours

## Reducing agricultural pollution

**We have been progressing a prioritised programme of inspections of higher risk agricultural sites to ensure compliance with the Control of Agricultural Pollution Regulations (CoAPR) - working constructively with farmers in support of them meeting their obligations in relation to these.**

The [Water Resources \(Control of Agricultural Pollution\) \(Wales\) Regulations 2021](#) were introduced by WG to reduce losses of pollutants from agriculture to the environment by setting regulations for certain farming practices (e.g. manure spreading).

Implementation of the regulations has been transitioned over a four-year period and the final set of measures, relating to closed periods for spreading, with subsequent limits for nitrogen loading and associated storage requirements will come into force in 2024/25.

We have a funded service level agreement with WG to undertake a prioritised programme of compliance inspections of higher risk agricultural activities across Wales (800 planned during 2024). We have a [new team of trained officers](#) (split into north and south Wales divisions) dedicated to undertaking this prioritised programme of inspections.

The inspection programme began in November of 2023 and continues into 2024/25. As of 31<sup>st</sup> March 2024, 203 farms have been inspected. On the first visit, 127 (63%) were found to be non-compliant with one or more of the regulations whilst 76 (37%) were fully compliant with the regulations in force. Some requirements remain in transition, e.g. CoAPR Slurry storage requirements do not come into force until 1<sup>st</sup> August 2024. At the end of March 2024, 14 Farms (11% of the non-compliant farms) had been brought back into full compliance with the regulations, whilst 20 (17%) were reporting active progress towards full compliance. We will continue to work constructively with all inspected farms to move them into compliance within agreed timeframes.

Linked draft impact statement(s): Biodiversity, Climate change, Pollution, Social and environmental justice, Collaborative action, Values and behaviours

## Our water

**Water is a vital resource - for people, businesses and agriculture, and critical to allow the economy to prosper. To ensure pollution is minimised we identify actions required of a range of sectors, and us.** We have:

- Influenced future water company investment, which is seeing a threefold increase in investment in the environment, including:
  - over 100 [storm overflow improvements](#);
  - 28 fish passage schemes;
  - 2 constructed wetland trials; and
  - many other investigations and actions.
- Been delivering our commitments to the First Minister's Action Plan for SAC Rivers and chaired the [4<sup>th</sup> summit in March 2024](#).
- Varied 140 permits that will contribute to reducing [phosphorus entering our Special Area for Conservation \(SAC\) rivers](#), or ensuring no deterioration.
- Assessed compliance with the Control of Agricultural Pollution Regulations (CoAPR) through a new team which aims to inspect over 800 farms in 2024 - assessing compliance with higher risk activities including producing, storing, or using high levels of organic manures. *For more around this, please see the example reflected as 'Reducing agricultural pollution'*
- *Progressed programmes to review statutory water quality requirements* (one of our Business Plan dashboard measures for the year), completing milestone activity in relation to storm overflows. We have not completed our milestone in relation to progress with River Basin Management Plans; with this work continuing into 2024/25. Availability of staff resources and ICT system availability (for joining up actions with outcomes) also impacted our work on opportunity catchments and the investigations programme in 2023/24
- Taken an innovative approach to partnership working, alongside 18 organisations, to develop the Teifi Demonstrator project. We carried out internal and external engagement in its co-production, including a [two-day hackathon event](#) to generate ideas and solutions to water quality issues. We will learn from this initiative and the

'Working Together' consultation to build the learning into the development of River Basin Management Plans.

- Invested approximately £65million over the last four years, received from WG, in targeting the fight against the Nature and Climate Emergency. This has delivered across a range of projects to improve our protected sites and water environment. We forecast a further spend of £28m in 2024-25.

One of our priority commitments for 2024/25 focusses on minimising the pollution of our rivers and seas.

Linked draft impact statement(s): Biodiversity, Climate change, Pollution, Social and environmental justice, Collaborative action

## Wildfires and storms response

**Incidents pose significant challenges to the people, environment, and economy of Wales, and to us – for example, the need for response to (and planning for) wildfires and storms.**

Following on from 2022 (the [UK's warmest year since 1884](#)), multiple wildfires caused damage in the summer of 2023 and we responded to a number of storms in an exceptionally wet winter.

One incident we jointly attended, on 9th June 2023, was a major wildfire on the WG Woodland Estate on the Rhigos Mountain. This impacted a significant area (around 160 hectares), destroying habitat, closing roads and causing local recreational businesses (e.g. Zip World, at the former Tower Colliery site) to close for a period. [Working with South Wales Fire and Rescue Service](#), we deployed extensive resource, including a specialist contracted helicopter and dedicated onsite resource to establish fire breaks. As a result of our combined actions, local infrastructure was protected, no properties were damaged, and further damage to the local environment and ecosystems was prevented.

The Rhigos wildfire was just one of [multiple fires that impacted Wales natural environment in June 2023](#). Promoting a collaborative response to wildfires such as this was the previous focus of a demonstration and evidence project, to better manage our natural resources and minimise the impact and severity of wildfires - Healthy Hillsides.

Following on from four 'named storms' over the autumn, we saw six more over the winter, and each posed unique challenges and hazards. We continued to encourage individuals [flood preparedness for the winter period](#), and we continued to create, maintain and repair flood infrastructure, though inevitably still see storm impacts.

For example, storm Gerrit, of 27<sup>th</sup>/28<sup>th</sup> of December 2023, saw near seventy mile per hour winds to the west coast of Wales; with around 40 properties impacted by flooding (from storms Gerrit and Hank). Our flood teams were extensively deployed throughout the winter in ensuring warnings and alerts were issued, and operational response in flooded areas. *For more on future flood risk management plans, please see the example reflected under 'Our Flood Risk Management Plans'*

One of our priority commitments for 2024/25 focusses on reviewing our approach to incident management.

Linked draft impact statement(s): Biodiversity, Climate change, Pollution, Social and environmental justice, Collaborative action, Values and behaviours

**Ceri Davies**

**Executive Director for Evidence, Policy and Permitting  
and Temporary Acting Accounting Officer**

**16 October 2024**

# Accountability Report

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

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

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

Our Parliamentary Accountability and Audit Report brings together additional requirements requested to demonstrate our accountability to the UK and WGs, regularity of expenditure and the opinion from our external auditor.

# Corporate Governance Report

## Directors' Report

The Chief Executive is supported by a team of Executive Directors who together form our Executive Team (ET). There have been no changes to the Executive Team during 2023/24.

Name	Post Holder	Length of ET Service
Chief Executive	Clare Pillman	26 February 2018 - present
Executive Director of Evidence, Policy and Permitting	Ceri Davies	1 April 2013 - present
Executive Director of Operations	Gareth O'Shea	27 April 2015 – present
Executive Director of Corporate Strategy and Development	Prys Davies	1 April 2019 – present
Executive Director of Finance & Corporate Services	Rachael Cunningham	7 September 2020 – present
Executive Director of Communications, Customer and Commercial	Sarah Jennings	7 September 2020 – present

Our Executive Team Register of Interests as at March 2024 is included here.

Name	Position	Interest	Individual	Role
Clare Pillman	Chief Executive	Land / Property	Personal	Resident in an area that may be considered for the proposed new National Park
Clare Pillman	Chief Executive	Executive or Non-Executive Board, Committee or Trust Membership	Personal	Member of Welsh National Opera Board
Ceri Davies	Executive Director of Evidence, Policy and Permitting	Other	Personal	Member of the Chartered Institute of Waste Management
Ceri Davies	Executive Director of Evidence, Policy and Permitting	Executive or Non-Executive Board, Committee or Trust Membership	Personal	Trustee of Keep Wales Tidy
Prys Davies	Executive Director of Corporate Strategy and Development	No interests to declare		
Gareth O'Shea	Executive Director of Operations	No interests to declare		
Rachael Cunningham	Executive Director of Finance & Corporate Services	No interests to declare		
Sarah Jennings	Executive Director of Communications, Customer and Commercial	No interests to declare		

The Chair's declaration of interests is reviewed by the Chair of the Audit and Risk Assurance Committee and the Head of Governance & Board Secretary.

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

**Ceri Davies**

**Executive Director for Evidence, Policy and Permitting  
and Temporary Acting Accounting Officer**

**16 October 2024**

## Statement of Accounting Officer's Responsibilities

Paragraph 23 (1) of the Schedule to the Natural Resources Body for Wales (Establishment) Order 2012 requires us to produce, for each financial year, a Statement of Accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the organisation and of the income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FRoM) and to:

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

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

## Governance Statement

This Statement sets out the governance structures, internal control and assurance frameworks that have operated within the organisation during the financial year 2023/24 and accords with HM Treasury and Managing Welsh Public Money guidance.

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

## Our governance structure

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

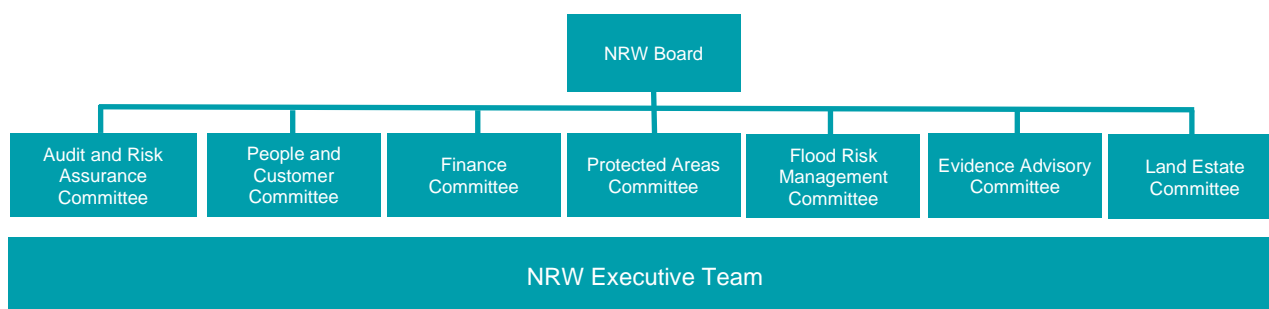
Our Board members are appointed by Welsh Ministers in accordance with the Code of Practice for Ministerial Appointments in Public Bodies, and as such our Chair is accountable to our sponsor minister in the WG.

We currently have 12 remunerated Board members, led by our Chair, Sir David Henshaw, with 10 non-executive members and me as an executive member of the Board. There is currently a non-executive member vacancy within the Board structure. Professor Steve Ormerod is the appointed Deputy Chair of the organisation and Helen Pittaway is the Senior Independent Director (SID). The role of SID was introduced to support the Chair in his role; to act as an intermediary for other non-executive directors when necessary; to lead the non-executive directors in the oversight of the Chair and to ensure there is a clear division of responsibility between the Chair and Chief Executive. There were eight changes to our Board this year: the term of Zoe Henderson ended on 8 May 2023, Julia Cherrett's term ended on 31 May, and Professor Peter Rigby's term ended on 31 October. Kathleen Palmer, Helen Pittaway, Professor Peter Fox, and Professor Rhys Jones were appointed as Non-Executive Directors from 16 February 2023, and Lesley Jones was appointed as a Non-Executive Director from 1 June 2023.

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

Each committee is chaired by a non-executive Board member and, with the exception of the Evidence Advisory Committee (EAC), each includes at least three other non-executive Board members. Due to the non-executive member vacancy, the People and Customer Committee (PCC) has only two other non-executive Board members at this time. Other non-executive Board members have an open invitation to attend committee meetings in a non-voting capacity. We do not have a Nominations Committee, as our non-executive Board members are appointed by Welsh Ministers. The following sections outline the work focus areas and attendance of our Board and committees.

Non-Executive members	Term	Start date	Current end date
Sir David Henshaw (Chair)	2	1 November 2018	31 October 2025
Zoe Henderson	2	9 November 2015	8 May 2023
Professor Steve Ormerod	2	1 November 2018	31 October 2025
Dr Rosie Plummer	2	1 November 2018	31 October 2024
Julia Cherrett	2	1 November 2018	31 May 2023
Professor Peter Rigby	2	1 November 2018	31 October 2023
Geraint Davies	2	1 January 2019	31 October 2024
Professor Calvin Jones	2	1 September 2021	31 October 2028
Mark McKenna	2	1 September 2021	31 October 2028
Professor Peter Fox	1	16 February 2023	31 October 2026
Helen Pittaway	1	16 February 2023	31 October 2026
Kathleen Palmer	1	16 February 2023	31 October 2026
Professor Rhys Jones	1	16 February 2023	31 October 2027
Lesley Jones	1	1 June 2023	31 October 2026



## Board Meetings

We held six two-day meetings and two development days across Wales this year. Two meetings were held virtually and four were held face to face. Members of the public were able to virtually attend and observe our six meetings held in public. Standing items on our agenda include: response to Climate and Nature Emergencies; in-year finance; performance reporting; and strategic and operational updates from the Chair, Chief Executive and committees.

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

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

## Board member attendance 2023/24

Name	Meeting Attendance
Sir David Henshaw (Chair)	6/6
Professor Steve Ormerod	6/6
Julia Cherrett	1/1
Geraint Davies	6/6
Professor Peter Fox	5/6
Professor Calvin Jones	4.5*/6
Lesley Jones	4/5
Professor Rhys Jones	6/6
Mark McKenna	6/6
Kathleen Palmer	5/6
Helen Pittaway	6/6
Dr Rosie Plummer	6/6
Professor Peter Rigby	3/3
Clare Pilman (Chief Executive)	6/6

\* Attended 1 of 2 days of the May meeting

## Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee's (ARAC) principal role is to advise the Board and support the Accounting Officer in monitoring, scrutinising and challenging the arrangements in place for audit, governance, internal controls and risk management. The Chief Executive attends every meeting as the organisation's Accounting Officer, along with

our Executive Director of Finance and Corporate Services. Members of ET attend the committee to discuss any limited assurance internal audit reports.

This year ARAC addressed a range of issues including:

- Improvements to our risk management approach
- Revised strategic risk register
- Organisational assurance mapping
- Internal Audit Plan 2023/24
- Annual Report and Accounts 2022/23 and preparation for 2023/24
- Cyber risk

## Board member ARAC attendance 2023/24

Name	Meeting Attendance
Kathleen Palmer (Chair)	5/5
Lesley Jones	1/2
Professor Rhys Jones	5/5
Dr Rosie Plummer	5/5
Professor Peter Rigby	3/3

## People and Customer Committee

The People and Customer Committee (PCC) considers matters relating to people management, reward, and organisational change. This includes oversight of the pay and conditions of employment of the most senior staff, an overall pay strategy for all staff employed by us, pension scheme provision, organisational design, wellbeing, health and safety, customer care, equality and diversity and development of the Welsh language scheme. The Chief Executive attends every meeting.

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

- Wellbeing, Health and Safety and Serious Incident Reviews
- Recruitment and the Recruitment Process
- Stakeholder Programme
- People Transformation Programme
- Equality, Diversity and Inclusion
- Customer Experience and Engagement

## Board member PCC attendance 2023/24

Name	Meeting Attendance
Mark McKenna (Chair)	4/4
Professor Rhys Jones	1/1
Helen Pittaway	4/4
Dr Rosie Plummer	4/4

## Finance Committee

The Finance Committee provides advice, oversight, and scrutiny on strategy, management and performance in relation to finance, business planning and performance, charge schemes, and commercial matters. In carrying out its role, the Committee focuses on strategic direction and development, however it also has a role in scrutinising performance and delivery.

This year the Committee considered the following:

- Monitoring in-year financial performance
- Financial and Business Planning for 2024/25
- Annual Review of Charges
- Commercial Activities
- Timber sales and marketing oversight
- Programme Management Office and Contract Management Support Service

## Board member Finance Committee attendance 2023/24

Name	Meeting Attendance
Sir David Henshaw	6/8
Helen Pittaway (Chair)	7/8
Professor Calvin Jones	8/8
Professor Peter Fox	5/8

## Protected Areas Committee (PrAC)

The Board has delegated its statutory responsibilities in relation to legislation concerned with nature conservation and protected landscapes to the Protected Areas Committee (PrAC). PrAC members also support the Executive and Board by providing advice on wider protected area issues and strategic casework, including landscape management, Designated Landscapes, and NNRs.

The Committee reviewed areas including:

- Designated Landscape Programme
- Special Areas of Conservation (SAC) Rivers Project
- Biodiversity Policy
- Protected Sites delivery
- Marine conservations zones

## Board member PrAC attendance 2022/23

Name	Meeting Attendance
Dr Rosie Plummer (Chair)	3/3
Geraint Davies	3/3
Lesley Jones	3/3
Professor Steve Ormerod	3/3

## Flood Risk Management Committee

The Committee is advisory and reports to our Board.

Its primary responsibilities are to scrutinise Flood Risk Management (FRM) investment programmes for current and future years, and to consider key issues which may affect the delivery of FRM related work in Wales.

The Committee usually comprises four non-executive members of the Board along with the Executive Director of Operations and the Head of Flood Incident Risk Management.

FRMC reviewed areas including:

- Prioritisation of flood risk management activities
- Governance of the flood risk management capital programme
- Oversight of the flood recovery and review implementation programme
- Oversight of work to improve our regulation of reservoir safety
- Asset Management

## Board member FRMC attendance 2023/24

Name	Meeting Attendance
Professor Peter Fox (Chair)	4/4
Geraint Davies	4/4
Professor Calvin Jones	4/4
Lesley Jones	3/3
Helen Pittaway	1/1

## Evidence Advisory Committee

The Evidence Advisory Committee (EAC) is advisory and provides independent advice and challenge in relation to our evidence function. The Committee also helps to strengthen understanding in the wider research community, and with evidence users in government, of evidence processes and priorities.

The Committee comprises two non-executive members of the Board and eleven independent external members with an understanding of the Welsh context, to offer a diverse range of appropriate expertise.

EAC reviewed areas including:

- Our State of Natural Resources Report
- Citizen Science
- Peatland Programme
- Nature Networks Programme
- LIFE Projects

## Board member EAC attendance 2023/24

Name	Meeting Attendance
Professor Peter Rigby (Chair)	2/2
Professor Steve Ormerod	3/3
Professor Rhys Jones	1/1

## Land Estate Committee

The Land Estate Committee (LEC) provides the Board with advice and assurance in relation to the sustainable management of our land estate, including investment in the estate, its management, and proposals for changes in its use, and makes specific decisions and undertakes specific functions as delegated to it by the Board.

LEC reviewed areas including:

- Recreation Strategy
- Trydan Programme (formerly the Renewable Energy Developer Programme)
- Alternative Timber Sales Process and the Timber Industrial Strategy

## Board member LEC attendance 2023/24

Name	Meeting Attendance
Professor Calvin Jones (Chair)	3/3
Geraint Davies	2/3
Professor Peter Fox	2/3
Mark McKenna	3/3

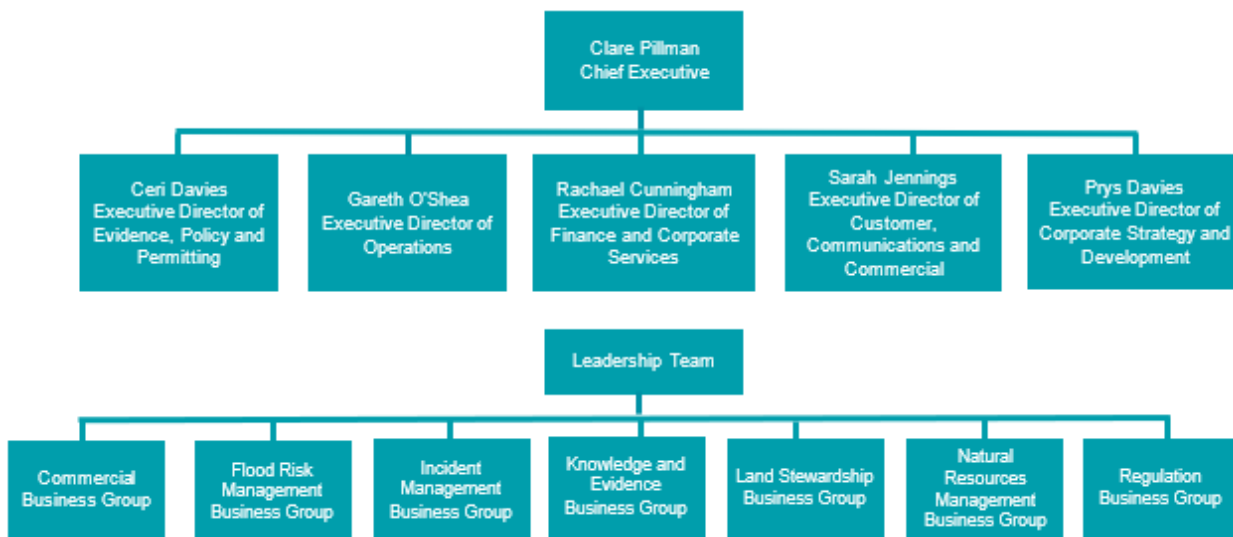
While Fora are not a part of our formal governance structure, non-executive Board members Chair, or attend at, these meetings.

## Board Member reviews

The Chair carries out annual appraisals with each Non-Executive Director and the Chief Executive, and the review process includes a short self-assessment and priorities for the next year. The Chief Executive undertakes mid- and end-year appraisals with the five Executive Directors.

## Our Executive

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



Below ET, our Leadership Team plays a leading role in managing the business on a day-to-day basis. Its members are all the Heads of departments that report to our ET including those in our corporate functions (such as Finance, HR, and Communications).

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

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

In June 2023 we launched our new corporate plan, [Nature and People Thriving Together](#), setting out our vision, mission and well-being objectives to 2030 and beyond. The plan highlights how we will play our part in the Team Wales approach to tackling the nature, climate, and pollution emergencies.

To complement the publication of our corporate plan, we committed to strengthening our performance management framework. Through 2023/24 we have designed an outcome-focussed approach to measure our progress towards the corporate plan well-being objectives. There are three levels:

- Strategic and long term – with impacts and strategic indicators defined for 2030;
- Operational and medium term – multi-year planning to reach the ambition of the steps to take and well-being objectives with trend metrics reporting the “health” status over time;
- Operational and short term – annual commitments and key results to show progress in year.

Together, these provide an integrated perspective, enabling us to reflect on progress towards our outcomes, identify what is driving delivery, what is hindering progress and where things need to change. We will use these insights, along with information relating to risk appetite, tolerance levels and risk profile, to inform prioritisation and the allocation of resources on an annual basis.

In 2023/24, we focussed on the development of the strategic, long-term impact statements and strategic indicators working collaboratively across the organisation. They have been published [in draft](#) and will be tested through 2024/25, using them to frame our Board strategic deep-dive sessions, while also engaging with partners to share insight and identify opportunities for collaboration. We will finalise these impacts and indicators in the autumn of 2024 and they will remain in place from 2025/26 to 2030 to monitor progress.

In 2024-25 we will focus on the operational and medium term through the development of the approach to multi-year planning and trend metrics. The multi-year planning will focus on the WBO steps to take, defining metrics which set the stretch to ensure we are on the pathway to meeting the 2030 ambition. Tracking these metrics will provide powerful insight and learning on the progress towards, or the gap between, achieving the long-term strategic impacts and strategic indicators and “turning the curve”. It will highlight those things that need to change not only within our direct control but also beyond, in the work of Government, partners and other public bodies.

The operational multi-year planning metrics will define the stretch that the short-term annual business plan will respond to. The annual business plan will identify those things that need to happen in a year to drive the change we want to see, for example testing new approaches or streamlining processes. This approach is setting us on a pathway to be a different organisation, measuring those things that are important and using this to drive our decision making on priorities.

For the 2023/24 Business Plan our Board agreed to roll forward those measures from the 2022/23 business plan that align to the new vision, mission and well-being objectives, creating capacity for the development work on the performance management framework. The business plan sets out what we will deliver in 2023/24, the first year of the new corporate plan, and the resources (staff and financial) we will use to do this.

As a Category One responder under the Civil Contingencies Act 2004, we have continued to undertake our legal responsibilities to work with the emergency services, local authorities and other partners to plan for, respond to, and aid recovery from incidents affecting people and the environment across Wales 24 hours a day, 365 days a year.

From flooding, pollution, wildfires or incidents on the land we manage and at our regulated sites, we have direct responsibilities when it involves environmental incidents in our remit.

For many incidents we were the sole or lead responder. But on many occasions, we worked with our partners in an integrated and effective way to minimise the impacts to people and wildlife and reduce the time it takes for communities and the environment to recover.

We have continued to train and develop staff, enabling them to support our duty rotas effectively. Consequently, we now have more staff available to support our incident response efforts around the clock. Additionally, we actively trained more staff to further strengthen our rotas for the future. Staff members have participated in numerous internal and external incident exercises, allowing us to continuously enhance our capabilities. We are committed to building on the lessons learned from these exercises and from actual incidents to improve the service we provide, particularly as we confront the challenges posed by the increasing number of incidents stemming from climate and nature emergencies.

## **Ministerial Directions**

We have received one Ministerial Direction this year. In January 2024, we issued a derogation notice to Welsh Ministers in respect of a marine license application for the proposed Barmouth flood alleviation scheme. In response, the Minister for Climate Change directed us not to approve the plan set out in the derogation notice until such time that they wrote again to confirm whether we could proceed to approve the plan. Following a review of our documentation by the Minister's officials, the Minister wrote to us on 13 February to confirm that they were content for us to proceed to approve the plan.

## **Our Internal Control Framework**

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

Our key financial controls within automated systems and our schemes of delegation to ensure appropriate segregation of duties remain in place and current. The Managing our Money, Delegated Authority Schedule, and our Statutory and Legal Scheme documents are reviewed regularly.

## **Risk Management**

A robust risk management framework is an essential component of our overall corporate governance framework. It assists us in managing the organisation to ensure we give ourselves the best chance to deliver on our wellbeing objectives, protecting our resources and our reputation.

## Risk Management Framework



Our risk management process is structured to include: risk identification and assessment to determine and prioritise how the risks should be managed; the selection, design and implementation of risk treatment options that support achievement of intended outcomes and manage risks to an acceptable level; the design and operation of integrated, insightful and informative risk monitoring; and timely, accurate and useful risk reporting to enhance the quality of decision-making and to support management and oversight bodies in meeting their responsibilities.

The framework draws on a number of best practice standards, namely the Orange Book, and sets out the framework to support the management of risks and opportunities across the organisation. The principles of the framework underpin the way in which we need to undertake risk management effectively to ensure that it is an essential part of governance and leadership, it feeds effectively into and informs decision making, it enables insightful and informative risk monitoring and provides accurate risk reporting.

Our risk strategy is set and approved by the Board. Our risk management policy which includes a RACI (Responsible, Accountable, Consulted, Informed) and an escalation process is set and approved by our Executive Team.

## Risk Appetite

We are a large organisation, with many diverse and complex functions and roles and therefore, our willingness to accept and pursue risk will vary across the organisation. Risk appetite is an expression of the types and amounts of risk we are willing to take or accept to achieve its wellbeing objectives. Our risk appetite clarifies the options available to us, the risks that we can take and those which we need to avoid or reduce as a priority.

Our Board sets and reviews our agreed risk appetite annually. Understanding and setting a clear risk appetite level is essential to achieving an effective risk management framework.

## Strategic risk management

Our strategic risk and assurance register is owned by the Executive Team with each risk being owned by an individual Director. The delivery of our Corporate Plan in April 2023 provided both a need and an opportunity to challenge and redevelop the risks at the strategic level needed to underpin and support effective delivery of our well-being objectives within the corporate plan. The strategic risks are managed through regular review and are also subject to deep dives by the Executive Team as well as the relevant Board Committee.

Each strategic risk has a risk appetite level assigned to it with a more detailed individual risk appetite statement providing more instruction and direction to the risk owner to support in the effective management of the risk.

Oversight of the risk management framework and its effectiveness is undertaken by the Audit and Risk Assurance Committee (ARAC) who in turn provide assurance to the Board. The Board undertake an annual review of the strategic risks to seek assurance that the register includes the key risks needed to support the delivery of the corporate plan.

## Information assurance

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

We have mandatory bi-annual online learning courses for staff on UK General Data Protection Regulation (GDPR), Computer Security in the Workplace and Information Security to ensure everyone is aware and up to date on how we manage the information we receive and hold. Completion rates of mandatory online learning continue to improve with these being supplemented with targeted awareness sessions. We continue to collaborate with strategic partners such as WG, Data protection Community, local resilience forum and the National Cyber Security Centre to share learning and maintain standards.

This year, as a precaution, we reported one incident to the Information Commissioners Office (ICO). The ICO requested for anyone impacted by the Capita Pensions System Data Breach to inform them. Although we are not a Data Controller for this data, we felt it was appropriate to report this to the ICO for transparency and to detail what measures we were taking to support our impacted staff members. We have received confirmation from the ICO that no further action will be taken against us for this breach and that they are still investigating this with Capita.

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

2023/24	2022/23	2021/22
1	0	0

## Declaration of Interest

Our Conflict of Interest policy and guidance support all staff and Board members with our continuous process to declare relevant personal interests to help us manage any potential or perceived conflicts with their professional roles. A scheduled review of our Conflict of Interest policy, procedures, training, and reporting mechanisms is currently being undertaken.

## Raising a Serious Concern in the Public Interest

### Raising a Serious Concern in the Public Interest within NRW

We are committed to the highest standards of openness, probity, and accountability. There is an expectation that all those who work for us who have serious concerns about any aspect of our work is able to come forward and voice those concerns. We are committed to taking whatever action is necessary to address any wrongdoing which is uncovered.

Therefore, we have established measures in place to raise serious concerns about malpractice or impropriety. Our framework includes access to a telephone contact number and on-line form, where concerns can be raised anonymously if preferred.

During 2023/24 there were 27 potential whistleblowing cases reported via the whistleblowing mechanisms. All were considered in line with our whistleblowing policies and procedures. Of these 27 reports, 2 were reviewed and handled formally as whistleblowing cases and another 2 were handled via our fraud investigation procedures, 8 related to matters outside of the organisation and 15 were not considered as whistleblowing, as defined by our Whistleblowing Policy, so were referred back to the business for internal handling.

Of the 2 cases handled formally as whistleblowing cases, 1 was not upheld and 1 is pending completion of the investigation.

## Number of whistleblowing cases

2023/24	2022/23	2021/22
27	7	4

## NRW as a Prescribed Person for Raising a Serious Concern in the Public Interest

We became a 'Prescribed Person' in 2020 following an approach from WG. The Prescribed Persons Order 2014 sets out a list of 60 organisations that any member of the public may approach to report suspected or known wrongdoing (whistleblowing). The organisations and individuals on the list have usually been designated as a prescribed person because they have an authoritative or oversight relationship with their sector, often as a regulatory body. The Order is amended, by the UK Government, each year, to ensure that the list remains up to date.

There were 4 cases of a Prescribed Person Whistleblowing Report received from 1 April 2023 to 31 March 2024, although it is acknowledged other concerns may have been raised outside of the formal whistleblowing process.

Of those 4 cases received, 2 were handled formally as whistleblowing cases. 1 was not upheld and 1 is pending completion of the investigation. The remaining 2 cases were referred to the incident handling teams within the organisation and handled under the normal complaints processes.

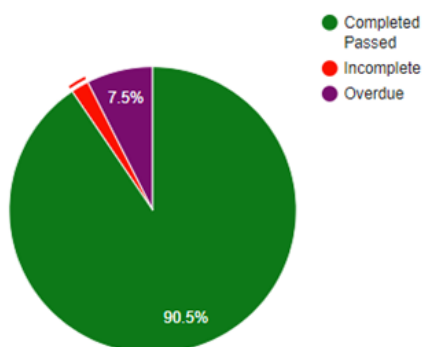
## Fraud

Our Counter Fraud Strategy 2022 – 2026 sets out the strategic direction designed to support and strengthen our ability to protect itself from the harm that fraud can cause. Focusing this strategy on best practices and professional standards will help ensure that an anti-fraud approach becomes integral to the way we work. Our Counter Fraud Strategy is supported by a revised Counter Fraud, Bribery and Corruption Policy and a Fraud, Bribery, and Corruption Response Procedure.

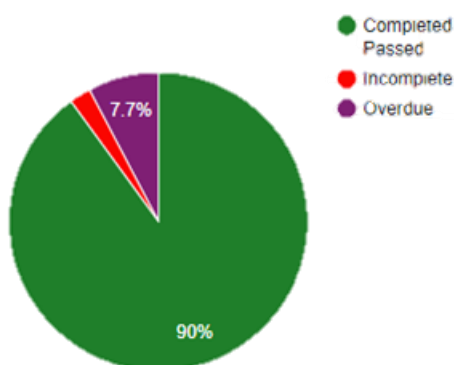
We remain in a cost of living crisis and pressures such as those caused by high rates of inflation can lead to an increased risk of fraud, which is already the most frequently reported category of crime in the UK. Mandatory online learning courses are provided for staff on Anti-Fraud and Anti-Bribery and Corruption. These courses are designed to help staff identify red flags and ensure they are aware of their professional responsibilities. The completion rates for these modules remain high.

### eLearning Completion Stats for 2023/2024

Anti-Bribery and Corruption (2 yrs)



Anti-Fraud (2 yrs)



As part of our prevention and detection work, risk assessments have been undertaken to identify the areas of the organisation at greatest risk of fraud and to focus our mitigating controls here. We also participate in the National Fraud Initiative, a data matching exercise designed to detect fraud and error across payments systems.

Last year we received 9 allegations of fraud, 7 handled as per our fraud investigations procedures, 1 handled under whistleblowing procedures and 1 handled by our HR procedures. All fraud cases are reported to the Audit and Risk Assurance Committee. All investigations have been managed by an Accredited Counter Fraud Specialist or similarly qualified external investigators. The final report on each case is referred to independent senior staff.

Number of allegations reported		
2023-24	2022-23	2021-22
9	8*	8

*\*This figure was incorrectly reported as 5 in last year's annual report, but the quarterly reporting to ARAC was correct.*

Whilst robust counter fraud arrangements are part of our response, we also have a responsibility to support our employees and their families. Accordingly, colleagues in People Services continue to work on a range of initiatives to support anyone struggling financially and offer help where we can.

## Compliance with required codes and guidance

We have completed a review and established that our organisational structure, policies, procedures, and practices comply with the requirements of Chapter Six: Arm's length bodies, of the Corporate Governance Code for Central Government Departments.

The Accounting Officer is supported by a Board structure in line with the Corporate Governance Code for Central Government Departments, and there are supporting procedures in place to ensure Board roles can operate effectively.

As regulated appointments, the appointment of the Chair and Board members are made in accordance with the Commissioner for Public Appointments' Code of Practice.

The Accounting Officer is also responsible for ensuring a system of good corporate governance and assurance is in place, in line with the principles of the Corporate Governance Code for Central Government Departments.

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

Our organisational framework of risk management is established in line with and to enable the application of the Orange Book's five principles, as follows:

1. Risk management is an essential part of governance and leadership, and fundamental to how the organisation is directed, managed and controlled at all levels.
2. Risk management is an integral part of all organisational activities to support decision-making in achieving objectives.
3. Risk management is collaborative and informed by the best available information and expertise.
4. Risk management processes are structured to include:
  - a. Risk identification and assessment
  - b. Selection, design and implementation of risk treatment options
  - c. Design and operation of integrated insightful and informative risk monitoring
  - d. Timely, accurate and useful risk reporting to enhance decision making and oversight.
5. Continuous improvement through learning and experience.

## Our Assurance Framework

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

## Internal Audit

The annual audit opinion is informed in part by the delivery of the Internal Audit plan. This year we provided an "unsatisfactory assurance" for one audit area of ICT Assurance and all other audits were moderate or substantial. A risk maturity review has provided a level 2 of maturity (scale 1-5) and it is recommended that NRW works towards increasing maturity to level 3. This improvement will see risk management implemented in all key areas, currently NRW's risk management has the fundamentals in place and has planned for better implementation across NRW. At present NRW's risk management is not mature enough to prevent materialisation of risks from causing business disruption. NRW has set up the NRW 2030 Programme in part to address the noted weakness in the internal control framework for ICT, with a project for ICT Stabilisation being undertaken. People resourcing remains a challenge within NRW due to budgetary pressures across the public sector, but it is noted that NRW has taken a prioritisation approach to resourcing pressures.

In conclusion, my professional evaluation of internal controls, governance and risk management has led me to conclude that that in 2023/24 there remains improvements required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. I can therefore offer a moderate overall assurance opinion for the past year. It is noted that NRW continues to progress considerable amounts of planned work to address identified weaknesses in governance, risk and control.

## External audit

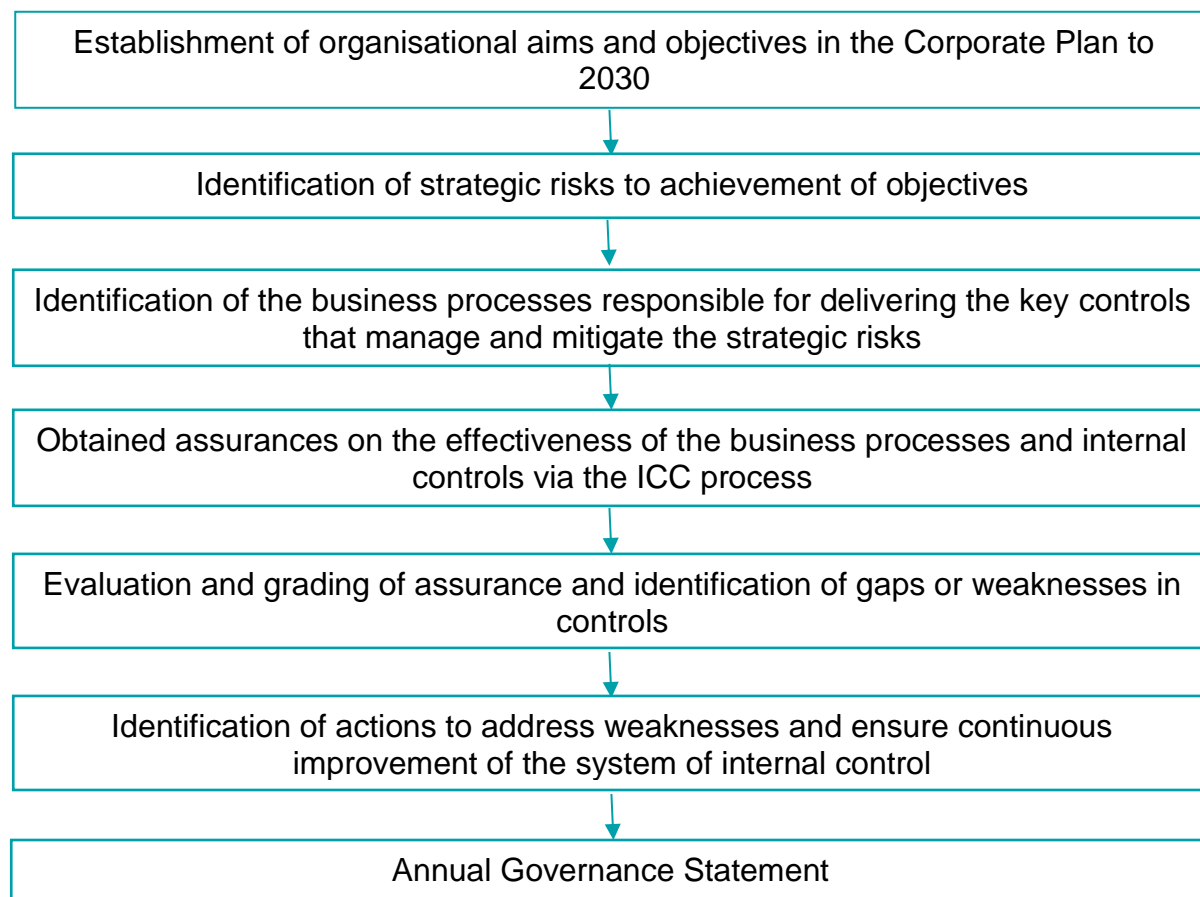
Independent scrutiny forms an important source of assurance, providing evidence of our ways of working in relation to best practice and industry standards. In some parts of the organisation, we are subject to, or we opt for, external audits or reviews of our work. Some

are annual, for example UK Woodland Assurance Scheme or the ISO14001:2015 to maintain our environmental management system. Others we request as one of many pieces of work to give ourselves further information about particular areas or activity.

## Effectiveness of the system of internal controls

The system of internal control is based on the systems, structures and principles in operation within the organisation that mitigate and manage the risks to our aims and objectives. We are responsible for maintaining a sound system of internal control that simultaneously supports the achievement of our aims and objectives, whilst also safeguarding the public funds and the organisation's assets for which we are responsible.

To enable us to provide assurance in regard to the effectiveness of our system of internal control a review process has been undertaken, this process is known as the Internal Control Checklist (ICC) and culminates in the signing of a Certificate of Assurance by each Executive Director for their areas of delegated authority. The certificate of assurance is then submitted to the Accounting Officer. The key elements of the review process are set out below:



This year further developments were integrated into the process, including:

- The introduction of quarterly reviews following the completion of the 2022-2023 ICC process. This provided Executive Directors the opportunity to regularly consider any changes to their level of assurance in relation to the effectiveness of internal controls within their directorate throughout the year as a continuous review process;

- The introduction of a mandatory survey for the Leadership and Management Teams, directly linked to the business processes responsible for delivering key controls;
- Increased maturity and clarity in relation to categorisation of the assurance received in regard to both the three lines model and triangulated assurance; and
- Increased focused on the identification of gaps/weaknesses in the system of internal control and the development of a subsequent action plan.

The ET have considered and moderated the analysis of the results and the assurance gradings attributed by Directors, and have endorsed the actions identified to remedy any significant weaknesses identified.

The following weaknesses within the system of internal control, and the corresponding steps taken/actions to address have been identified as a result of the review of the system of internal control:

	Issue Identified	Actions to address	Responsible Area
1	Workforce	<p>One of the four elements of the NRW to 2030 Transformation Portfolio is the People Transformation Programme, which consists of a number of formal sub-projects. The programme is intended to significantly improve workforce systems and processes, and will strengthen controls across the service enabling the organisation to efficiently deliver the Corporate Plan and Wellbeing Objectives. Formal projects included within the programme which are due to be progressed or completed in 2024-25 include:</p> <ul style="list-style-type: none"> <li>• Strategic Workforce Planning</li> <li>• Flexible Resourcing</li> <li>• Learning Management System</li> <li>• Workstream Management and Leadership</li> <li>• Workstream Career pathways and competencies</li> <li>• E-recruitment</li> <li>• Talent Management</li> <li>• Pay</li> <li>• Diversity, Inclusion and Welsh Language</li> </ul>	Organisational Development
2	ICT	<p>Another of the four elements on the NRW to 2030 Transformation Portfolio is the Tech Transformation Programme, which consists of a number of formal sub-projects. The programme is intended to significantly improve workforce systems and processes, and will strengthen controls across the service enabling the organisation to efficiently deliver the Corporate Plan and Wellbeing Objectives (WBO). Formal projects included within the programme which are</p>	ICT

	Issue Identified	Actions to address	Responsible Area
		<p>due to be progressed or completed in 2024-25 include:</p> <ul style="list-style-type: none"> <li>• ICT Stabilise</li> <li>• Disaster Recovery</li> <li>• Cyber Response and Security</li> <li>• Management of Non-ICT Managed Systems</li> <li>• Future Technology</li> <li>• Data</li> <li>• Government Digital and Data Alignment</li> </ul>	
3	Wellbeing Objectives (Governance and Oversight)	<p>The new corporate plan cycle has enabled us to review our approach to planning and performance. Our refreshed performance management framework will ensure a clear line of sight from the strategic to operational delivery. 2024-25 is a development year, in which we will also review policy and guidance for governance and oversight of the WBOs.</p> <ul style="list-style-type: none"> <li>• Impacts and strategic indicators defined for 2030 and beyond, were drafted in 2023-24. We are testing them in 2024-25, with the Board during the WBO strategic deep dive days. These sessions are developed and led by each WBO ET lead.</li> <li>• Multi-year Planning will be carried out during 2024-25. This planning will set the ambition and metrics for each step to take within the WBOs to 2030. WBO ET Leads will have oversight of development and processes for reporting.</li> <li>• Annual Business Plan and quarterly reporting. WBO ET Leads will each have a quarterly progress WBO dashboard meeting prior to going to ET and Board. This will enhance governance and oversight of the WBOs.</li> </ul> <p>Through this developmental year, we will ensure a cohesive approach to WBO governance and performance across the above elements. This will drive our decision making on priorities.</p>	Corporate Strategy and Programme Management Office

Ceri Davies

Executive Director for Evidence, Policy and Permitting  
and Temporary Acting Accounting Officer

16 October 2024

## Remuneration and Staff Report (audited)

### Remuneration policy

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

The Chair and Board members' remuneration is set by Welsh Ministers. The terms of contract for senior employees who are the ET members is based on the organisation's terms and conditions. The remuneration policy for the most senior staff is not subject to collective bargaining and the remuneration package by reference to the utilisation of the Job Evaluation for Senior Posts (JESP) and a spot salary. The pay is increased by the same percentage as Grade 11 (the most senior non-director pay grade).

### Service contracts

All appointments to the Board are made on behalf of the organisation's sponsor minister in WG.

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

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

### Salary and pension entitlements

The following sections provide details of the remuneration of members of the Board and the remuneration and pension interests of members of the ET. Board members are not entitled to join the Civil Service Pension Scheme or receive other benefits. Early termination, other than for misconduct, would result in the ET members receiving compensation consistent with the Civil Service Compensation Scheme. Board members are not entitled to compensation.

### Salary

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

## Performance-related pay

Any increase in salary for ET is subject to performance being assessed as either 'Outstanding' or 'Achieving' by the Chief Executive and moderation by the PCC. The increase applied will be determined by the pay award applied for those within the collective bargaining unit. Where performance is deemed to be underperforming then no pay increase is applied.

## Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the HM Revenue & Customs as a taxable emolument. None of the Board members or ET received benefits in kind during 2023/24 and 2022/23.

None of the Board members or executive team received any remuneration other than the amounts shown below.

## Board members' remuneration

Board Member	Board and Committee Roles (During 2023/24)	Contracted Dates	Salary 2023/24 (£5,000 range)	Salary 2022/23 (£5,000 range)
Karen Balmer		09/11/15 to 31/03/23	N/A	10-15
Catherine Brown		01/11/18 to 31/10/22	N/A	5-10
Julia Cherrett		01/11/18 to 31/05/23	0-5	15-20
Geraint Davies		01/01/19 to 31/10/24	10-15	10-15
Peter Fox	FRMC Chair	16/02/23 to 31/10/26	15-20	0-5
Paul Griffiths		01/09/21 to 25/05/22	N/A	0-5
Sir David Henshaw	Chair of Board	01/11/18 to 31/10/25	45-50	45-50
Zoë Henderson		09/11/15 to 08/05/23	0-5	10-15
Calvin Jones	LEC Chair	01/09/21 to 31/10/28	15-20	10-15
Lesley Jones		01/06/23 to 31/10/26	10-15	N/A
Rhys Jones		16/02/23 to 31/10/27	10-15	0-5
Mark McKenna	PCC Chair	01/09/21 to 31/10/28	15-20	10-15
Steve Ormerod	Deputy Chair of Board & Chair EAC from November	01/11/18 to 31/10/25	15-20	15-20
Kathleen Palmer	ARAC Chair	16/02/23 to 31/10/26	15-20	0-5
Helen Pittaway	FC Chair	16/02/23 to 31/10/26	15-20	0-5
Rosie Plummer	PrAC Chair	01/11/18 to 31/10/24	15-20	15-20
Peter Rigby	EAC Chair to October	01/11/18 to 31/10/23	5-10	15-20

## Executive Team's remuneration

Executive Team Member	Salary		Benefits in kind		Pension benefits <sup>1</sup>		Total	
	(£5,000 range)		(nearest £100)		(nearest £1,000)		(£5,000 range)	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
	Clare Pillman <sup>1</sup> (Chief Executive)	150-155	145-150	0	0	40,000	(10,000)	190-195
Rachael Cunningham <sup>1</sup>	125-130	115-120	0	0	46,000	21,000	170-175	140-145
Ceri Davies <sup>1</sup>	125-130	115-120	0	0	37,000	(2,000)	160-165	115-120
Prys Davies <sup>1</sup>	105-110	100-105	0	0	30,000	10,000	135-140	110-115
Sarah Jennings <sup>1</sup>	130-135	120-125	0	0	51,000	49,000	180-185	170-175
Gareth O'Shea <sup>1</sup>	115-120	110-115	0	0	32,000	(48,000)	145-150	60-65

<sup>1</sup> The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, plus the real increase in any lump sum, less contributions made by the individual. The real increase is calculated by deducting the opening valuation from the end valuation. The real increases exclude increases due to inflation or any changes due to a transfer of pension rights. Inflationary increases are excluded by applying a real increase factor to the value at the start of the year.

For changes in levels of pay, the increase in pension due to additional service may not be sufficient to offset the inflation increase – that is, in real terms, the pension value can reduce, hence the negative values.

This value does not represent an amount that will be received by the individual. It is a calculation that is intended to convey to the reader of the accounts an estimation of the benefit that being a member of the pension scheme could provide. The pension benefit table provides further information on the pension benefits accruing to the individual.

## Pension benefits

Executive Team member	Accrued Pension at pension age as at 31/03/24 £000	Accrued Lump Sum at pension age as at 31/03/24 £000	Real Increase in pension at pension age £000	Real Increase in Accrued Lump Sum at pension age £000	CETV at 31/03/24 £000	CETV at 31/03/23 £000	Real Increase in CETV £000
Clare Pillman (Chief Executive)	75-80	145-150	2.5-5	0	1,675	1,503	24
Rachael Cunningham	40-45	0	2.5-5	0	807	709	29
Ceri Davies	65-70	80-85	2.5-5	0	1,404	1,261	24
Prys Davies	35-40	90-95	0-2.5	0	780	696	16
Sarah Jennings	10-15	0	2.5-5	0	177	115	39
Gareth O'Shea	65-70	100-105	0-2.5	0	1,407	1,268	19

The final salary pension of a person in employment is calculated by reference to their pay and length of service. The pension will increase from one year to the next by virtue of any pay rise during the year. For changes in pay, the increase in pension due to extra service may not be sufficient to offset the inflation increase – that is in real terms, the pension value can reduce. Where the movement in accrued lump sum value is negative in real terms, this is reported in the table above as £0.

During the year, the Government's Actuary Department issued revised factors to be used, For consistency, the opening CETV has been calculated using the new factors and therefore the opening CETV disclosed here is different to the closing CETV reported in the equivalent table within the 2022-23 report.

Any members affected by the Public Service Pensions Remedy were reported in the 2015 scheme for the period between 1 April 2015 and 31 March 2022 in 2022-23 but are reported in the legacy scheme for the same period in 2023-24.

## Cash Equivalent Transfer Values (CETV)

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

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

## Real increase in CETV

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

## Compensation for loss of office

No compensation for loss of office was agreed during 2023/24 or 2022/23.

## Fair pay disclosure

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

In 2023/24, 1 contractor (2022/23: 3) was charged at a rate in excess of the highest-paid director.

The banded remuneration of the highest paid director (as shown above) in the financial year 2023/24 was £150,000 to £155,000 (2022/23: £145,000 to £150,000). This was 3.8 times (2022/23 3.8 times) the median remuneration of the workforce, with comparison in respect of upper, median, and lower quartile remuneration presented in the following table.

### Whole Workforce Remuneration ratio

	2023/24	2022/23	Movement
	£	£	%
Upper quartile	46,673	46,003	1.46
Ratio	3.3	3.2	
Median	40,426	38,492	5.02
Ratio	3.8	3.8	

	2023/24	2022/23	Movement
	£	£	%
Lower quartile	35,686	32,876	8.55
Ratio	4.3	4.4	

Staff pay scales range from £24,242 to £76,259 (2022/23: £21,655 to £72,627).

**The percentage increase in salary, benefits in kind and performance related pay during the year was:**

	Movement
	%
Highest paid director	5.0
All workforce	1.2
Directly employed	5.0

As required by the Financial Reporting Manual, included within workforce in the tables above are permanent employees, fixed term appointments, apprentices, secondees, agency staff and contractors, where the pay has been calculated on an annualised basis.

## All staff report

### Staff Remuneration policy

There is a social partnership agreement in place with five trade unions and the setting of terms and conditions for staff below the ET members is through collective agreement with the social partners. The WG approves any changes to pay, terms and conditions and gives a pay remit to the organisation within which it must deliver. This year's pay was for the period 1 April 2023 to 31 March 2024 and saw a 5% increase to our pay bill. As an accredited employer of the Real Living Wage Foundation, we applied the new rate (£12) in November and backdated it to April 2023. A pay award of 5% was applied to this and all pay points and enhancements and payments (allowances) but excluded the Loyalty Award and Market Supplement. This offer did not apply, as already agreed through Job Evaluation consultation, to those who had previously opted out of the Job Evaluation Scheme.

In recognition of the impact that cost of living pressures was having on our staff and similar to other public sector bodies, we made a one-off payment of £1,500 to all staff, excluding Executive Team, in September 2023. This was separate to the pay award.

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

### Number of staff by headcount and full time equivalent (FTE) at 31 March 2024

	Male		Female		Total	
	Headcount	FTE	Headcount	FTE	Headcount	FTE
<b>All employees</b>	1,350	1,319	1,186	1,116	2,536	2,435
of which:						
Leadership Team	15	15	13	12	28	27
Executive Team	2	2	4	4	6	6

### Number of staff by headcount and full time equivalent (FTE) at 31 March 2023

	Male		Female		Total	
	Headcount	FTE	Headcount	FTE	Headcount	FTE
<b>All employees</b>	1,391	1,364	1,168	1,097	2,559	2,461
of which:						
Leadership Team	13	13	14	13.5	27	26.5
Executive Team	2	2	4	4	6	6

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

	2023/24			2022/23
	Permanent Staff	Others	Total	Total
Directly employed	2,295	76	2,371	2,232
Agency and contract staff	0	91	91	158
<b>Total</b>	<b>2,295</b>	<b>167</b>	<b>2,462</b>	<b>2,390</b>

The average full-time equivalent number of staff working on capital projects was 216.7 (2022/23: 246.1).

### Staff turnover

Staff turnover during 2023/24 was 5% excluding temporary workers e.g., fixed term appointments (2022/23 4.9%).

## Staff costs

	2023/24			2022/23
	Permanent staff	Other staff	Total	Total
	£'000	£'000	£'000	£'000
Wages and salaries	99,303	8,842	108,145	98,571
Social security costs and other taxation	10,742	778	11,520	10,180
Other pension costs	23,970	686	24,656	21,978
<b>Total net salary costs</b>	<b>134,015</b>	<b>10,290</b>	<b>144,321</b>	<b>130,729</b>
<b>Other expenditure for staff</b>		<b>Note</b>		
Exit package costs			13	81
IAS 19 (pensions) service charge		16	6,988	14,855
Less early retirement pension costs			(5)	78
Less in-year LGPS pension contributions			(6,894)	(6,894)
Movement in accrued holiday pay			15	138
<b>Total other expenditure for staff</b>			<b>117</b>	<b>8,258</b>
Less amounts charged to capital projects			(12,956)	(14,136)
<b>Total staff costs</b>			<b><u>131,482</u></b>	<b><u>124,851</u></b>

Details of our pension obligations can be found in Note 16.

Details of the remuneration of Board members and directors are in the remuneration report. Bought-in services in Note 5 (other expenditure) includes £4.7 million of expenditure on consultants (2022/23 £5.5 million).

During the year, the methodology applied to calculate expenditure on consultants has been amended, with the corresponding 2022/23 figure also updated for consistency.

## Pension schemes

We are a member of two pension schemes. The Principal Civil Service Pension Scheme (PCSPS) is an open scheme and includes both the defined benefit scheme, Alpha, as well as the stakeholder partnership defined contribution scheme. We are also a closed member of the Environment Agency Pension Fund (EAPF) under a community admission agreement. Further details of these pension schemes are shown below.

## Civil Service Pension Scheme contributions

The PCSPS and the Civil Servant and Other Pension Scheme (CSOPS) - known as "Alpha" - are unfunded multi-employer defined benefit schemes, but the schemes do not identify individual organisations' share of the underlying assets and liabilities. The latest full actuarial valuation of the PCSPS as at 31 March 2020 was completed in September 2023. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation at <https://www.civilservicepensionscheme.org.uk/knowledge-centre/resources/resource-accounts/>

For 2023/24, employer's contributions of £6,899k were payable to the PCSPS (2022/23: £14,855k) at one of four rates in the range 26.6% to 30.3% of pensionable earnings (for 2022/23 26.6% to 30.3%), based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2023/24 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

## Stakeholder partnership pensions

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £169k (2022/23: £156k) were paid to the appointed stakeholder pension provider. Employer contributions are age-related and range from 8% to 14.75%. Employers also match employee contributions of up to 3% of pensionable earnings. In addition, employer contributions of £5k, 0.5% of pensionable pay (2022/23 £5k), were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

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

## Local Government Pension Scheme (LGPS) contributions

We make payments to the EAPF, as the administering authority for the LGPS via Capita, the pension fund administrators.

The LGPS is a funded, statutory, defined contribution public service pension scheme. Every three years the EAPF undertakes a valuation in conjunction with the Scheme Actuary. The 31 March 2022 valuation assessed the EAPF financial position with a funding level of 103% (2019: 106%). The main purpose of the actuarial valuation is to review the financial position of the fund and to set the level of future contributions for employers in the fund.

We have a community admission agreement with the EAPF to participate in the LGPS, which was approved by the Secretary of State for Communities and Local Government in respect of former Environment Agency Wales staff who transferred to our organisation on 1 April 2013. The liabilities for former members employed by the Environment Agency in respect of Welsh functions (pensions in payment and deferred members) also transferred.

The WG has entered into a guarantee with the EAPF to indemnify them for any liabilities that arise from the participation of NRW in the EAPF.

For 2023/24 the employer's contribution rate was 22.50% (2022/23: 23.76%) In 2023/24 employer's contributions of £6,894k were paid to the LGPS (2022/23: £6,894k) which reduces the balance on the IAS 19 pension fund.

3 persons (2022-23: 2 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £55k (2022-23: £34k).

## Exit packages

The total number of exit packages by cost band	2023/24	2022/23
Under £10,000	1	4
£10,001 - £25,000	1	2
£25,001 - £50,000	0	1
£50,001 - £100,000	0	0
£100,001 - £150,000	0	0
<b>Total</b>	<b>2</b>	<b>7</b>
<b>Resource cost</b>	<b>£13,000</b>	<b>£88,000</b>

There were no compulsory redundancies in 2023/24 or 2022/23.

Voluntary exit costs have been paid in accordance with provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. The table above shows the total cost of exit packages agreed and accounted for in 2023/24. Exit costs of £27k were actually paid in 2023/24, the year of departure. Where we have agreed early retirements, the additional costs are met by this organisation and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

### Sickness absence (not subject to audit)

Our sickness absence rate for the rolling year (1 April 2023 to 31 March 2024) showed an average of 5.4 days lost per employee and equates to 2.4%.

## Disability Policies (not subject to audit)

### Disability Confident Employer

During 2023/24, we continued to be compliant with our 'Two Ticks' guaranteed interview scheme where applicants who declare themselves as disabled, in line with the Equality Act

2010 definition, and meet the minimum criteria for the role applied for, are automatically invited to interview.

Externally we received applications from 2,163 people of which 92 (4.25%) people requested a guaranteed interview. Internally we received applications from 533 people of which 10 (1.87%) people requested a guaranteed interview. These figures are with a backdrop of implementing a recruitment freeze in August 2023



**'Two Ticks'  
guaranteed  
Interview  
Scheme**

## **Employee Resource Groups (ERG) - Staff Networks (not audited)**

Employee Resource Groups (ERG), also known as Employee or Staff Networks are a supportive and welcoming space for our colleagues to come together to create change in the workplace. ERGs are often centred around an under-represented protected characteristic in the workplace. The networks provide our colleagues with the opportunity to meet with colleagues from across the organisation and get involved with network activities.

ERGs also carry out the essential tasks of creating new diversity and inclusion good practices influencing those in charge to implement them.

During this year, two new ERGs were set up to support our colleagues, namely the Women's Staff Network and the Sight Impaired Staff Network under the wider Disability Employee Resource Group.

Each of our ERGs have a dedicated intranet page with information relevant to each group which all colleagues have access to.

We currently have nine Employee Resource Groups that represent protected characteristic themes, namely Disability, Sex and Gender, Sexual Orientation, Religion and Belief. These are:

- Assisted User Group
- Calon- The LGBTQ+ Staff Network
- Christian Fellowship Staff Network
- Cwtch - The Carers Network
- Dementia Friends Network
- Muslim Staff Network

- Neurodiversity Staff Network
- Sight Impaired Network
- The Women’s Network

Each ERG has a lead, or the role is carried out jointly with another colleague. These roles are carried out voluntarily and provide colleagues with a safe space and someone to contact when support is required. A good practice guidance was devised with the support of the ERG which outlined the aims and objectives of Networks, and role of Network leads for consistency. The guidance also provides a framework to support their mental health and wellbeing and to balance their day job and role as Network Leads, as well as succession planning.

ERG Leads are also encouraged by the Equalities Team to make more use of Webinar Wednesdays especially in raising awareness of significant D&I dates such as Neurodiversity Awareness Week, LGBTQ+ History Month and International Women’s Day.

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

We are required to publish information about appointments of consultants or staff that last longer than 6 months and where the individuals earn more than £245 per day, where we pay by invoice rather than through payroll. The off payroll working rules were designed to ensure that if someone works through an intermediary and would have been regarded, for income tax and national insurance contributions purposes, as an employee if they were directly engaged by the organisation, they pay broadly the same income tax and national insurance contributions as if they were employed. These rules do not apply to people who are genuinely self-employed.

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

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

### Off-payroll engagements as of 31 March 2024, for more than £245 per day

Number of existing engagements at 31 March 2024 that have existed for:	Number of contractors
less than one year	0
between one and two years	2
between two and three years	1
between three and four years	4
four or more years	3
<b>Total</b>	<b>10</b>

**New off-payroll engagements between 1 April 2023 and 31 March 2024, for more than £245 per day**

	<b>Number of contractors</b>
The number of new engagements, or those that reached six months in duration, between 1 April 2023 and 31 March 2024	1
of which:	
The number assessed as caught by IR35	0
The number assessed as not caught by IR35	1
The number engaged directly and are on the organisation's payroll	0
The number of engagements reassessed for consistency / assurance purposes during the year	0
The number of engagements that saw a change to IR35 status following the consistency review	0

# Parliamentary and Audit Report (audited)

## Losses and special payments

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

### Individual losses of £300,000 or more

There were no losses or special payments of £300k or more during 2023/24.

### Losses and special payments by category

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

Category or type of loss	2023/24 Number	2023/24 £'000	2022/23 Number	2022/23 £'000
Write-off of irrecoverable debts	70	80	161	222
Loss of assets	3	16	10	44
Other losses (cash losses, fruitless payments, unenforceable claims, or gifts)	15	241	5	49
Special payments	7	71	8	63
<b>Total</b>	<b>95</b>	<b>408</b>	<b>184</b>	<b>378</b>
Waiver of income*	9	164	0	0
<b>Total</b>	<b>104</b>	<b>572</b>	<b>184</b>	<b>378</b>

\*Waiver of income mostly relating to future sales and does not relate to credit notes to be raised against historical invoices.

**Ceri Davies**

**Executive Director for Evidence, Policy and Permitting  
and Temporary Acting Accounting Officer**

**16 October 2024**

# The Certificate and report of the Auditor General for Wales to the Senedd

## Opinion on financial statements

I certify that I have audited the financial statements of Natural Resources Wales for the year ended 31 March 2024 under paragraph 23 of the Schedule to the Natural Resources Body for Wales (Establishment) Order 2012.

The financial statements comprise the Statement of Comprehensive net Expenditure, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity and related notes, including the material accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual.

In my opinion, in all material respects, the financial statements:

- give a true and fair view of the state of Natural Resources Wales' affairs as at 31 March 2024 and of its net operating costs for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual.
- have been properly prepared in accordance with Welsh Ministers' directions issued under the Natural Resources Body for Wales (Establishment) Order 2012.

## Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by the Senedd and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Basis for opinions

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my certificate.

My staff and I are independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

## Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

The going concern basis of accounting for Natural Resources Wales is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

### **Other information**

The other information comprises the information included in the annual report other than the financial statements and other parts of the report that are audited and my auditor's report thereon. The Accounting Officer is responsible for the other information in the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

### **Opinion on other matters**

In my opinion, the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Welsh Ministers' directions made under the Natural Resources Body for Wales (Establishment) Order 2012.

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

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with Welsh Ministers' directions made under the Natural Resources Body for Wales (Establishment) Order 2012; and
- the information given in the Foreword, Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

### **Matters on which I report by exception**

In the light of the knowledge and understanding of the body and its environment obtained in the course of the audit, I have not identified material misstatements in the Foreword, Performance Report and Accountability Report.

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

- I have not received all of the information and explanations I require for my audit.
- proper accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my team;
- the financial statements and the audited part of the Accountability Report are not in agreement with the accounting records and returns;
- information specified by Welsh Ministers regarding remuneration and other transactions is not disclosed;
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made or parts of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

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

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and financial statements as a whole are fair, balanced and understandable;
- ensuring the regularity of financial transactions;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error; and
- assessing Natural Resources Wales's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by Natural Resources Wales will not continue to be provided in the future.

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

My responsibility is to audit, certify and report on the financial statements in accordance with the Natural Resources Body for Wales (Establishment) Order 2012.

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

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

My procedures included the following:

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

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

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

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

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

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

### **Other auditor's responsibilities**

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

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### **Report**

I have no observations to make on these financial statements.

Adrian Crompton  
Auditor General for Wales  
18 October 2024

1 Capital Quarter  
Tyndall Street  
Cardiff  
CF10 4BZ

FINANCIAL STATEMENTS  
and  
NOTES TO THE ACCOUNTS  
for 2023/24

## Statement of Comprehensive Net Expenditure

For the year ended 31 March 2024

	Note	2023/24 £'000	2022/23 £'000
Staff costs	3	131,482	124,851
Capital works expensed in year	4	48,463	32,768
Other expenditure	5	119,698	114,528
<b>Total operating expenditure</b>		<b>299,643</b>	<b>272,147</b>
Charge income	6	(49,664)	(40,028)
Commercial and other income	6	(46,483)	(49,132)
Welsh Government grants	6	(34,455)	(22,234)
European and other external funding	6	(2,900)	(4,750)
<b>Income from contracts with customers</b>		<b>(133,502)</b>	<b>(116,144)</b>
<b>Net operating expenditure before gain on revaluation of biological and financial assets</b>		<b>166,141</b>	<b>156,003</b>
(Gain)/loss on revaluation of biological assets	7.1	38,143	2,636
(Gain)/loss on revaluation of financial assets/ liabilities	9 / 10	1,349	(313)
<b>Net expenditure for the year after gain on revaluation of biological and financial assets</b>		<b>205,633</b>	<b>158,326</b>
Financing on pension scheme assets and liabilities	16.2.5	(3,677)	1,667
Finance charges	8.2	101	117
Net (gain)/loss on revaluation		(324)	(58)
<b>Deficit/(Surplus) for the year</b>		<b>201,733</b>	<b>160,052</b>
<b>Other comprehensive net expenditure</b>			
Pension actuarial remeasurements	16.2.5	11,022	(129,425)
Gain on revaluation of property, plant and equipment	SoCTE	(40,749)	(186,965)
<b>Total comprehensive net expenditure for the year</b>		<b>172,006</b>	<b>(156,338)</b>

The notes on pages 82 to 128 form part of these accounts.

## Statement of Financial Position

As at 31 March 2024

		31 March 2024	31 March 2023
	Note	£'000	£'000
<b>Non-current assets</b>			
Property plant and equipment	7.1	2,137,597	2,127,219
Heritage assets	7.1	7,530	7,474
Biological assets	7.1	402,189	447,864
Intangible assets	7.2	33,848	31,647
Right of use assets	8.1	83,874	69,815
Financial assets	10	15,009	16,358
Long term receivables	11	11,940	3,462
Pension asset	16.2.5	57,911	65,345
<b>Total non-current assets</b>		<u>2,749,898</u>	<u>2,769,184</u>
<b>Current assets</b>			
Property, plant and equipment held for sale		1	9
Inventories		2,500	612
Trade and other receivables	11	45,121	38,889
Payments on account	12	19,000	-
Cash and cash equivalents	13	9,787	5,077
<b>Total current assets</b>		<u>76,409</u>	<u>44,587</u>
<b>Total assets</b>		<u><b>2,826,307</b></u>	<u><b>2,813,771</b></u>
<b>Current liabilities</b>			
Trade and other payables	14	(79,373)	(49,077)
Lease liabilities	8.2	(2,339)	(2,367)
Provisions	15	(3,002)	(1,083)
<b>Total current liabilities</b>		<u>(84,714)</u>	<u>(52,527)</u>
<b>Assets less current liabilities</b>		<u><b>2,741,593</b></u>	<u><b>2,761,244</b></u>
<b>Non-current liabilities</b>			
Long term lease liabilities	8.2	(8,221)	(8,276)
Financial liabilities	9	(39,435)	(39,435)
Long term payables	14	(11,331)	(3,054)
<b>Total non-current liabilities</b>		<u>(58,987)</u>	<u>(50,765)</u>
<b>Assets less liabilities</b>		<u><b>2,682,606</b></u>	<u><b>2,710,479</b></u>
<b>Taxpayers' equity and other reserves</b>			
General fund	SoCTE	517,260	554,611
Revaluation reserve	SoCTE	2,107,435	2,090,523
Pensions reserve	SoCTE	57,911	65,345
<b>Total taxpayers' equity</b>		<u><b>2,682,606</b></u>	<u><b>2,710,479</b></u>

The notes on pages 82 to 128 form part of these accounts. The financial statements were approved by the Board on 16 October 2024 and signed on its behalf by:

Ceri Davies  
Executive Director for Evidence, Policy and Permitting and Temporary Acting  
Accounting Officer

Date: 16 October 2024

## Statement of Cash Flows

For the year ended 31 March 2024

	Note	2023/24 £'000	2022/23 £'000
<b>Cash flows from operating activities</b>			
Net operating expenditure	SoCNE	(166,141)	(156,003)
Adjustment for non-cash transactions		39,825	49,741
Movement in trade and other receivables	11	(14,710)	(12,364)
Movement in payments on account	12	(19,000)	-
Movement in trade and other payables	14	38,573	10,192
Movement in financial liabilities	SoFP	-	(409)
Movement in provisions	SoFP	(33)	817
<b>Net cash flow from operating activities</b>		<b><u>(121,486)</u></b>	<b><u>(108,026)</u></b>
<b>Cash flows from investing activities</b>			
Purchase of tangible assets	7.1	(7,383)	(6,368)
Purchase of intangible assets	7.2	(7,710)	(7,120)
Proceeds on disposal of property, plant and equipment		215	816
Proceeds on disposal of financial assets		-	1,827
<b>Net cash flow from investing activities</b>		<b><u>(14,878)</u></b>	<b><u>(10,845)</u></b>
<b>Cash flows from financing activities</b>			
Funding from Welsh Government	SoCTE	144,133	117,777
Repayment of lease liabilities	8.2	(3,059)	(2,822)
<b>Net Financing</b>		<b><u>141,074</u></b>	<b><u>114,955</u></b>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>		<b>4,710</b>	<b>(3,916)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b><u>5,077</u></b>	<b><u>8,993</u></b>
<b>Cash and cash equivalents at the end of the period</b>	13	<b><u><u>9,787</u></u></b>	<b><u><u>5,077</u></u></b>

The notes on pages 82 to 128 form part of these accounts.

## Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2024

	General Fund £'000	Revaluation Reserve £'000	Pension Reserve £'000	Total £'000
<b>Opening balance</b>	<b>554,611</b>	<b>2,090,523</b>	<b>65,345</b>	<b>2,710,479</b>
Comprehensive net expenditure for year	(172,006)	-	-	(172,006)
Revaluation reallocation <sup>1</sup>	1,505	(1,505)	-	-
<b>In-year movement</b>				
Revaluation of Property, Plant and Equipment	(28,685)	28,685	-	-
Revaluation of right of use assets	(12,064)	12,064	-	-
Realised revaluation	22,332	(22,332)	-	-
Actuarial movement on pension scheme	11,022	-	(11,022)	-
Increase in pension surplus	(3,588)	-	3,588	-
<b>Total in-year movement</b>	<b>(10,983)</b>	<b>18,417</b>	<b>(7,434)</b>	<b>-</b>
<b>Funding</b>				
Funding from Welsh Government	144,133	-	-	<b>144,133</b>
<b>Balance at 31 March 2024</b>	<b>517,260</b>	<b>2,107,435</b>	<b>57,911</b>	<b>2,682,606</b>

1 A reallocation of £1,505k was made between Revaluation Reserve and General Fund to correct the revaluation balance held in relation to the WGWE.

General Fund - reflects the cumulative position of net expenditure and funding from Welsh Government.  
 Revaluation Reserve - reflects the cumulative balance of revaluation and indexation of non-current assets.  
 Pension Reserve - reflects the cumulative position of the net liabilities of the pension scheme.

## Comparative figures for the year ended 31 March 2023

	General Fund £'000	Revaluation Reserve £'000	Pension Reserve £'000	Total £'000
<b>Opening Balance</b>	<b>565,154</b>	<b>1,926,189</b>	<b>(54,374)</b>	<b>2,436,969</b>
IFRS 16 Retained Earnings adjustment	(605)	-	-	(605)
Comprehensive net expenditure for year	156,338	-	-	<b>156,338</b>
<b>In-year movement</b>				
Revaluation of Property, Plant and Equipment	(179,497)	179,497	-	-
Revaluation of right of use assets	(7,468)	7,468	-	-
Realised revaluation	22,631	(22,631)	-	-
Actuarial movement on pension scheme	(129,425)	-	129,425	-
Increase in pension liability	9,706	-	(9,706)	-
<b>Total in-year movement</b>	<b>(284,053)</b>	<b>164,334</b>	<b>119,719</b>	<b>-</b>
<b>Funding</b>				
Funding from Welsh Government	117,777	-	-	<b>117,777</b>
<b>Balance at 31 March 2023</b>	<b>554,611</b>	<b>2,090,523</b>	<b>65,345</b>	<b>2,710,479</b>

The notes on pages 82 to 128 form part of these accounts.

## **Note 1 Accounting policies**

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

The financial statements have been prepared in accordance with the 2023/24 Government Financial Reporting Manual (FReM) issued by HM Treasury and with the accounts direction given by the Welsh Government (WG) in accordance with paragraph 23(1) of the Natural Resources Body for Wales (Establishment) Order 2012.

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

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

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

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

### **1.2 Accounting convention**

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

These financial statements are based on the going concern principle.

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

Grant-in-aid payments received from WG are treated as financing received from a controlling party. They are recorded as a financing transaction and are credited directly to the general reserve in the Statement of Financial Position and not through the Statement of Comprehensive Net Expenditure.

Other non Grant-in-aid payments received from WG are included in the Statement of Comprehensive Net Expenditure.

### **1.4 Income, expenditure and grants**

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

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

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

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

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

### **1.5 Inventories**

Inventory consists of felled timber stocks and is valued as fair value less estimated selling costs expected to be incurred to completion and disposal. This includes stock in relation to both standing sales and direct production. Fair value is estimated using expected sales prices.

### **1.6 Value added tax**

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

### **1.7 Internal drainage districts**

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

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

The drainage rates, special levies and precepts for 2023/24 were set by NRW acting as the drainage board. This income is included in Note 6.

### **1.8 Tangible assets**

Land and buildings and public structures (reported within operational structures) have historically been subject to full professional valuation every five years in accordance with the Royal Institution of Chartered Surveyors (RICS)'s Appraisal and Valuation Standards (the Red Book).

In 2020/21 a rolling programme for full Valuations (See Note 7) was established. In between full valuations, assets are subject to an annual interim valuation. For 2023/24, these valuations were performed by a firm of Chartered Surveyors or by internal valuers. The valuations for these assets were also undertaken in line with the requirements of the RICS Red Book as referred to above.

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

### Changes in accounting policies

There were no changes in accounting policies during the year ended 31 March 2024.

### Changes in accounting estimates

There were no changes in accounting estimates during the year ended 31 March 2024.

### IFRS's Effective in these financial statements

All IFRS interpretations and amendments effective during this reporting period have been adopted in these statements.

### IFRS's Effective for future financial years

There are a number of IFRS's, amendments and interpretations that have been issued by the International Accounting Standards Board that are effective in future reporting periods. Those with relevance to NRW are outlined below. NRW has not adopted any new IFRS standards early and will apply the standards upon formal adoption in the FReM.

#### *IAS 1 - Presentation of Financial Statements*

This standard sets out the overall requirements for financial statements including how they should be structured, minimum content requirements and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction.

In October 2022, the IASB issued Non-current Liabilities with Covenants, (Amendments to IAS 1), to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments are effective for reporting periods beginning on or after January 1, 2024.

These amendments are not expected to have a material impact on financial reporting.

#### *IFRS 16 - Leases*

This standard specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value.

On September 22, 2022, the IASB issued amendments to IFRS 16, Leases, which add to requirements explaining how a company accounts for a sale and leaseback after the date of the transaction. The amendments are effective for annual reporting periods beginning on or after January 1, 2024.

These amendments are not expected to have a material impact on financial reporting.

#### *IFRS 17 – Insurance Contracts*

This standard will apply to all types of insurance contract and proposes a building blocks approach based on the expected present value of future cash flows to measuring insurance contract liabilities.

Although IFRS 17 is effective for annual periods beginning on or after 1 January 2023, the standard will be adapted for the central government context and updates made to the 2024-25 FReM. The standard is to be applied in the FReM from 1 April 2025 (with limited options for early adoption); changes to the FReM will be published in December 2024. NRW will continue to keep the developments and potential impact under review.

### **1.10 Financial provisions (Landfill sites)**

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

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

- Renewable bonds (shown in note 14)
- Cash deposits with NRW (shown in note 14)
- Escrow accounts
- Local authority deed agreements
- Parent company guarantees
- Umbrella agreements (covering a number of sites)

### **1.11 Notes to the accounts**

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

Notes 3 to 16 provide analysis of material figures reported in the statements of comprehensive net expenditure, financial position and cash flows.

Notes 17 to 24 relate to figures not disclosed elsewhere in these accounts.

## 2. Analysis of net operating expenditure by segment

For the year ended 31 March 2024

These segments are components for which financial information is managed and reported internally.

Income and expenditure shown below were directly attributed to the segments.

	Finance & Corporate Services	Operations	Evidence, Policy & Permitting	Customer, Communications and Commercial	Corporate Strategy and Development	Centrally Controlled	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Reported by segments</b>							
Operating expenditure	36,144	127,844	74,466	14,667	6,395	40,127	299,643
Operating income	(1,335)	(53,421)	(69,704)	(8,947)	(95)	-	(133,502)
<b>Total</b>	<b>34,809</b>	<b>74,423</b>	<b>4,762</b>	<b>5,720</b>	<b>6,300</b>	<b>40,127</b>	<b>166,141</b>
<b>Capital expenditure</b>	<b>8,729</b>	<b>3,720</b>	<b>2,628</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>15,093</b>

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

	Finance & Corporate Services	Operations	Evidence, Policy & Permitting	Customer, Communications and Commercial	Corporate Strategy and Development	Centrally Controlled	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Reported by segments</b>							
Fees and charges	660	314	48,690	-	-	-	49,664
Commercial	237	36,577	627	8,947	95	-	46,483
Welsh Government grants	438	13,956	20,061	-	-	-	34,455
European and other external funding		2,574	326	-	-	-	2,900
<b>Total</b>	<b>1,335</b>	<b>53,421</b>	<b>69,704</b>	<b>8,947</b>	<b>95</b>	<b>-</b>	<b>133,502</b>
<b>Reported by segments</b>							
Government	433	14,998	21,323	2	91	-	36,847
Non-Government	902	38,423	48,381	8,945	4	-	96,655
<b>Total</b>	<b>1,335</b>	<b>53,421</b>	<b>69,704</b>	<b>8,947</b>	<b>95</b>	<b>-</b>	<b>133,502</b>

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

Comparative figures for the year ended 31 March 2023

	Finance & Corporate Services	Operations	Evidence, Policy & Permitting	Customer, Communications and Information	Corporate Strategy and Development	Centrally Controlled	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Reported by segments</b>							
Operating expenditure	26,247	111,439	66,982	8,721	11,173	47,585	272,147
Operating income	(39,923)	(49,402)	(16,855)	(9,732)	(232)	-	(116,144)
<b>Total</b>	<b>(13,676)</b>	<b>62,037</b>	<b>50,127</b>	<b>(1,011)</b>	<b>10,941</b>	<b>47,585</b>	<b>156,003</b>

<b>Capital expenditure</b>	10,650	2,085	753	-	-	-	13,488
----------------------------	--------	-------	-----	---	---	---	--------

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

	Finance & Corporate Services	Operations	Evidence, Policy & Permitting	Customer, Communications and Commercial	Corporate Strategy and Development	Centrally Controlled	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Reported by segments</b>							
Fees and charges	39,496	369	163	-	-	-	40,028
Commercial	343	38,579	246	9,732	232	-	49,132
Welsh Government grants	84	6,924	15,226	-	-	-	22,234
European and other external funding		3,530	1,220	-	-	-	4,750
<b>Total</b>	<b>39,923</b>	<b>49,402</b>	<b>16,855</b>	<b>9,732</b>	<b>232</b>	<b>-</b>	<b>116,144</b>

<b>Reported by segments</b>							
Government	1,969	9,743	15,550	-	232	-	27,494
Non-Government	37,954	39,659	1,305	9,732	-	-	88,650
<b>Total</b>	<b>39,923</b>	<b>49,402</b>	<b>16,855</b>	<b>9,732</b>	<b>232</b>	<b>-</b>	<b>116,144</b>

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

### Description of segments

<b>Finance &amp; Corporate Services</b>	<p>The Finance and Corporate Services Directorate provides financial services, audit and risk assurance, ICT services, buildings, fleet management and the renewal programme.</p> <p>During 2023/24, permanent arrangements were put in place to manage fees and charges within the Evidence, Policy &amp; Permitting directorate rather than within Finance and Corporate Services. In previous years, the associated income has been reported as Finance and Corporate Services income but from 2023/24, they are reported as Evidence, Policy and Permitting income. The reporting of costs associated with the fees and charges remain the same as in previous years.</p>
<b>Operations</b>	<p>The Operations Directorate has principal responsibility for achieving the sustainable management of natural resources in Wales' geographical area, including its marine environment, across the range of NRW's remit. Also provides capital programme management, commercial operations and planning and marine services for the whole of Wales.</p>
<b>Evidence, Policy and Permitting</b>	<p>The Evidence, Policy &amp; Permitting Directorate provides outward-facing central co-ordination for the organisation, leading on policy and strategy development, evidence, tools, standards, guidance and advice to enable other NRW teams, WG colleagues and partners fulfil their remit. There are also some direct delivery roles within the Directorate such as the Permitting Service and Flood Forecasting Service. As mentioned above, from 2023/24 onwards, income from fees and charges are managed within this directorate and therefore the income reported reflects this change.</p>
<b>Customer Communications and Commercial</b>	<p>External relations, communications and customer contact centre. This also includes responsibility for commercial services and procurement support.</p>
<b>Corporate Strategy and Development</b>	<p>The Corporate Strategy and Development Directorate leads a number of NRW's cross-cutting functions, including strategic planning and performance; continuous improvement and programme management; organisational development and staff engagement; and corporate governance. It also supports the NRW Board and Chief Executive.</p>
<b>Centrally Controlled</b>	<p>Income and expenditure controlled centrally and not allocated to directorates. It includes depreciation, book value of fellings, year-end accruals for provisions.</p>

### 3. Staff costs

Further details of staff costs and numbers are disclosed within the Staff Costs table within the Remuneration and Staff Report.

	<b>2023/24</b>			<b>2022/23</b>
	<b>Permanent Staff</b>	<b>Other Staff</b>	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	99,303	8,842	108,145	98,571
Social security & other taxation costs	10,742	778	11,520	10,180
Other pension costs	23,970	686	24,656	21,978
<b>Total net salary costs</b>	<b>134,015</b>	<b>10,306</b>	<b>144,321</b>	<b>130,729</b>
Other expenditure for staff			117	8,258
Less amounts charged to capital projects			(12,956)	(14,136)
<b>Total staff costs</b>			<b>131,482</b>	<b>124,851</b>

## 4. Capital works expensed in year

Programmes	2023/24	2022/23	31 March 2024	31 March 2023
	Actual £'000	Actual £'000	Committed £'000	Committed £'000
Flood Risk	25,231	15,448	9,670	11,085
Nature and Climate Emergency	18,956	14,035	9,889	11,297
Other	4,276	3,285	2,536	1,191
<b>Total</b>	<b>48,463</b>	<b>32,768</b>	<b>22,095</b>	<b>23,573</b>

Capital works expensed in year relates to expenditure which is capital in nature but where NRW does not retain the related risks and rewards of ownership of the asset being constructed. In accordance with IAS 16, expenditure is capital in nature when it relates to assets which are intended for use, on a continuing basis, in the production or fulfilment of NRW's functions or for an administration purpose. They are not intended for sale in the ordinary course of business. For the purpose of capital works expensed in year, being of capital nature may also be defined through a capital grant agreement from WG.

The criteria for expenditure to be classed as capital works expensed in year are;

- Where designated WG capital funding has been allocated to a scheme, which would not normally result in the acquisition of a tangible or intangible asset owned by NRW in accordance with IAS 16
- Where the risk and rewards relating to ownership of the asset do not reside with NRW, but with a third party; or
- Where the asset being created, regardless of funding source, would be unable to be readily identified in any future asset verification exercise.

### Flood Risk

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

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

## Nature and Climate Emergency and Other Programmes

- Improving Protected Sites  
Actions to improve the condition of protected sites and their features, and to build Resilient Ecological Networks (RENs) with protected sites at their core. Includes activities across protected sites, on the NRW estate and by others through supported advice, guidance and funding mainly through Land Management Agreements (LMAs).
- Peatland  
Work to support the National Peatland Action Programme.
- Water Quality Improvement  
Capital works to deliver improvement to water quality to improve compliance with the Water Environment (Water Framework Directive) (England and Wales) Regulations 2017.
- Fisheries  
Works that improve Fish Habitat to secure future fish stocks and/or address the major high-risk barriers to fish migration that impede both upstream and downstream movement as well as adversely affecting river morphology.
- Metal Mines  
Detailed design of water treatment systems to prevent water pollution from mines. Feasibility studies, development of audits around the mines to divert the water away from the mines.
- Improving conservation status  
Works which improve the conservation status of land not under the direct control of NRW. This includes improving Priority 1 planted ancient woodland sites and new trails constructed for public use.
- Reservoir safety works  
Improvements to reservoirs where the Reservoirs Act 1975 places that responsibility on the reservoir owner. Specifically these measures are taken in the interests of safety.
- National Forest  
Projects to help woodland sites gain National Forest status. Capital investment in existing NF's to maintain status.
- Other works  
Includes improvements to locks and other waterways, telemetry replacement.

## 5. Other expenditure

	2023/24 £'000	2022/23 £'000
<b>Cash items</b>		
Bought in services	19,533	23,512
Reservoir operating agreements	12,066	11,492
ICT costs	8,093	7,866
Forest roads network maintenance	6,272	5,725
Office running costs	5,479	3,825
Materials and equipment	3,801	3,932
Fleet Costs	2,997	2,746
Service level agreements	2,678	2,561
Staff related costs	2,534	2,631
Collaborative agreements	1,831	2,437
Grants	1,818	1,637
Travel and subsistence	1,080	1,096
Fees and court costs	932	846
Operational costs	739	732
Rates	692	710
Losses and special payments <sup>1.</sup>	328	112
Rents	295	383
Statutory audit fees	231	182
<b>Sub-total</b>	<b>71,399</b>	<b>72,425</b>
<b>Non-cash expenditure</b>		
Value of sold timber	25,501	26,476
Depreciation, amortisation and impairment	14,252	13,881
Movement on reservoir operating agreements	8,478	(194)
Losses <sup>1.</sup>	80	266
Movement on expected credit loss	55	81
Derecognition of assets <sup>2.</sup>	28	67
Movement on other provisions	(32)	817
(Gain) / Loss on disposal	(63)	709
<b>Sub-total</b>	<b>48,299</b>	<b>42,103</b>
<b>Total</b>	<b>119,698</b>	<b>114,528</b>

<sup>1.</sup> Details of write-offs, losses and special payments are shown in the Parliamentary and Audit Report.

<sup>2.</sup> Capitalised expenditure of £28k which did not result in the completion of a capital asset as defined by IAS 16 was derecognised during 2023/24 (Public structure assets of £67k which NRW does not own or maintain were derecognised in 2022/23).

## 6. Income analysis

For the year ended 31 March 2024

	2023/24 £'000	2022/23 £'000
Abstraction charges <sup>1</sup> .	29,774	21,452
Environmental permitting regulations: water quality	7,586	6,993
Environmental permitting regulations: installations	3,682	3,263
Environmental permitting regulations: waste	2,317	2,182
Other environmental protection charges	1,925	1,750
Fishing licences	1,135	1,026
Hazardous waste	1,085	1,389
Nuclear regulation	842	781
Water resources rechargeable works	742	698
Emissions trading	334	143
Marine licensing	242	351
<b>Charge Income</b>	<b>49,664</b>	<b>40,028</b>
Timber income	31,914	33,652
Renewable energy income <sup>2</sup> .	7,977	9,688
Income from estates	2,952	2,686
Internal drainage district income	1,516	1,462
Provision of information and services	1,489	1,492
Miscellaneous income	359	51
Legal costs recovered and Proceeds of Crime Act income	246	101
Interest receivable	30	-
<b>Commercial and other income</b>	<b>46,483</b>	<b>49,132</b>
<b>Welsh Government grants</b>	<b>34,455</b>	<b>22,234</b>
European income <sup>3</sup> .	2,390	3,773
Grants and contributions	510	977
<b>European and other external funding</b>	<b>2,900</b>	<b>4,750</b>
<b>Total income</b>	<b>133,502</b>	<b>116,144</b>

<sup>1</sup>. Abstraction charges includes income of £8,478k (22/23 charge of £194k) in relation to incremental payments to Dŵr Cymru Welsh Water that are recharged to customers, as detailed in note 9.

<sup>2</sup>. Renewable energy income is shown net of fees due to WG in respect of wind energy income. The balance of £7,977k (in 2022/23, £9,688k) represents income of £19,667k (in 2022/23, £18,286k) after deducting the fee payment to WG of £11,690k (in 2022/23, £8,597k).

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

## 6.1 Analysis of fees and charges

<b>Year ending 31 March 2024</b>	<b>Income</b>	<b>Expenditure</b>	<b>Surplus/ (Deficit)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Abstraction charges	30,648	29,774	874
Environmental permitting regulations: water quality	7,292	7,586	(294)
Environmental permitting regulations: installations	3,447	3,682	(235)
Environmental permitting regulations: waste	1,902	2,317	(415)
Other environmental protection charges	1,772	1,925	(153)
Fishing licences	1,135	1,135	-
Hazardous waste	951	1,085	(134)
Nuclear regulation	744	842	(98)
Water resources rechargeable works	742	742	-
Emissions trading	170	334	(164)
Marine licences	242	242	-
<b>Total</b>	<b>49,045</b>	<b>49,664</b>	<b>(619)</b>

<b>Comparative figures - year ending 31 March 2023</b>	<b>Income</b>	<b>Expenditure</b>	<b>Surplus/ (Deficit)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Abstraction charges	20,497	21,452	(955)
Environmental permitting regulations: water quality	6,748	6,993	(245)
Environmental permitting regulations: installations	3,471	3,263	208
Environmental permitting regulations: waste	2,002	2,182	(180)
Other environmental protection charges	1,562	1,750	(188)
Fishing licences	1,026	1,026	-
Hazardous waste	1,328	1,389	(61)
Nuclear regulation	735	781	(46)
Water resources rechargeable works	698	698	-
Emissions trading	143	143	-
Marine licences	348	351	(3)
<b>Total</b>	<b>38,558</b>	<b>40,028</b>	<b>(1,470)</b>

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

Income from charges for the regulation of businesses in Wales to monitor and control their impact on the environment, whether air, water or land, is derived from a combination of fees and charges. Charges income falls into two main categories:

**Applications** for a permit or licence. The contract with the customer is to review their application and deliver an asset called a permit which provides the customer with the legal entitlement to carry out its operation under our regulation. We have an unconditional right to payment from the customer when an application for a permit is submitted. NRW will not begin their assessment until the monies have been received. The income is recognised at the point the application is made and monies are received. For 12-month licence fees which are payable within a financial year, the obligation is over that 12 months so that income is attributable to the relevant financial years. Where application income for Water Quality, Waste and Installations is received during the last quarter of the financial year, an assessment is undertaken and the value attributable to the next financial year as receipts in advance is carried forward carry within the Statement of Financial Position.

**Subsistence** charge associated with licences and permits, which give the customer legal entitlement to carry out their operation for a period of time under NRW regulation. Once a permit is issued, NRW takes on the risks inherent in regulating the customer in its activity. In all cases, the customer accepts the permit at the same time as the invoice and as such subsistence income is recognised when billed at the point the new permit period commences. Invoices are issued during the first quarter of the financial year for the financial year and are due for payment immediately. For fees issued in year, the invoice is raised on a pro-rata basis from the date the permit or licence to the end of the financial year. If a permit is surrendered, then a credit note is raised from the date of lapse to the end of the financial year.

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

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

We have a transitional arrangement in place where material balances without a plan will be reduced. A programme plan for charge subsistence reviews was agreed with our executive team and this work is expected to be ongoing beyond 31 March 2025. We will therefore need to extend the transitional arrangement until such time we have completed these detailed reviews. This treatment overrides the standard revenue recognition criteria outlined in the first paragraph above.

### **Significant judgement on income recognition to ensure a break-even position**

A judgement is made regarding the satisfaction of performance obligations on fees and charges and commercial income per IFRS15. Within receivables (Note 11) and payables (Note 14) there are accrued and deferred income balances for fees and charges where there is a surplus or deficit. As mentioned above, charging schemes are required to break-even over a reasonable period of time and judgement is required in assessing the factors behind whether the surplus or deficit will result in a break-even position over this reasonable period (reported in notes 11 and 14).

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

The key activities of each area are listed below:

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

## 7. Non-current assets

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

### Recognition

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

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

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

### Measurement

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

Assets classified as heritage assets comprise land within designated conservation areas. This land is held in support of NRW's purpose. Because of the diverse nature of the land held and the lack of comparable market values, NRW considers that obtaining external valuations would involve disproportionate cost. Heritage assets are therefore held at cost. Preservation costs (expenditure required to preserve the heritage asset) are recognised in the Statement of Comprehensive Net Expenditure when they are incurred. Further information on heritage assets can be found in Note 7.1.3.

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

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

### Indexation and Revaluation

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

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

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

Rolling Programme

Reporting column in Note 7.1	Class of Asset	Valuation Methodology	Date of previous full valuation	Process for 2023/24	Valuer
<b>Forest Estate</b>	Forest Estate	Fair value	31 March 2021	Interim valuation	Savills
<b>Freehold Land</b>	Agricultural Land - Equipped Asset	Fair value	31 March 2023	Interim valuation	Internal
	Agricultural Land - Unequipped	Fair value	31 March 2022	Interim valuation	Internal
	Other Welsh Government Woodland Estate Land	Fair value	31 March 2021	Interim valuation	Savills
	Freehold Land	Fair value	31 March 2022	Interim valuation	Internal
<b>Other Land</b>	Wind Farms	Fair value	31 March 2023	Full valuation	Internal
	Hydro Schemes	Fair value	31 March 2023	Full valuation	Internal
	Third party Access	Fair value	31 March 2023	Full valuation	Internal
	Telecom Masts	Fair value	31 March 2023	Full valuation	Internal
	Mineral Leases	Fair value	31 March 2023	Full valuation	Internal
	Other Agreements	Fair value	31 March 2023	Full valuation	Internal
	Forest Holidays	Fair value	31 March 2023	Full valuation	Internal
<b>Buildings</b>	Dwellings	Fair value	31 March 2022	Interim valuation	Internal
	Offices & Commercial	Fair value	31 March 2022	Interim valuation	Internal
	Other buildings (Non-Specialised)	Fair value	31 March 2022	Interim valuation	Internal
	Depots (specialised)	Depreciated replacement cost	31 March 2022	Interim valuation	Internal
	Deer Larders (specialised)	Depreciated replacement cost	31 March 2022	Interim valuation	Internal
	Toilet Blocks (specialised)	Depreciated replacement cost	31 March 2022	Interim valuation	Internal
	Bird Hides	Depreciated replacement cost	31 March 2022	Interim valuation	Internal
	Visitor and Information Centres (specialised)	Depreciated replacement cost	31 March 2022	Interim valuation	Internal
	Other (specialised)	Depreciated replacement cost	31 March 2022	Interim valuation	Internal

Reporting column in Note 7.1	Class of Asset	Valuation Methodology	Date of previous full valuation	Process for 2023/24	Valuer
<b>Operational Structures</b>	Boreholes	Modified historic cost	N/A	Indexed	Internal
	Gauging Station	Modified historic cost	N/A	Indexed	Internal
	Locks & Weirs	Modified historic cost	N/A	Indexed	Internal
	Sea & River Structures	Modified historic cost	N/A	Indexed	Internal
	Sluices	Modified historic cost	N/A	Indexed	Internal
	Other	Modified historic cost	N/A	Indexed	Internal
	Pumping Stations	Modified historic cost	N/A	Indexed	Internal
	Fish Passes	Modified historic cost	N/A	Indexed	Internal
<b>Operational Structures (Public Structures)</b>	Boardwalks	Depreciated replacement cost	31 March 2022	Interim valuation	Internal
	Bike Trails	Depreciated replacement cost	31 March 2022	Interim valuation	Internal
	Other	Depreciated replacement cost	31 March 2022	Interim valuation	Internal
	Car Parks	Depreciated replacement cost	31 March 2022	Interim valuation	Internal
	Walking Trails	Depreciated replacement cost	31 March 2022	Interim valuation	Internal
<b>Biological Assets</b>	Biological Assets	Fair value	31 March 2021	Interim valuation	Savills
<b>Heritage Assets</b>	Heritage Assets	Historical cost	N/A	Held at cost	N/A
<b>Right-of-use Asset (Peppercorn Leases)</b>	Forest Estate	Fair value	31 March 2021	Interim valuation	Savills

The Forest Estate, land, buildings and public structures have historically been subject to full professional valuation every five years in accordance with the Royal Institution of Chartered Surveyors (RICS)'s Appraisal and Valuation Standards (the Red Book).

In 2020/21 a rolling programme for full valuations was established. The valuations as at 31 March 2024 are provided by the relevant firms of Chartered Surveyors or by internal valuers. Where a full valuation was undertaken this is noted in the table above. In between these full valuations, assets are subject to an annual interim valuation.

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

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

For operational structures, FReM would expect us to use the depreciated replacement cost method. For NRW, that is impractical and not cost effective, so we have used modified historic cost as a proxy for depreciated replacement cost to give us fair value.

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

## Depreciation and amortisation

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

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

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

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

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

Other licences also include assets which are held in perpetuity.

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

## Disposals

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

## Revaluation Reserve

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

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

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

## **Impairment**

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

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

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

## 7.1 Tangible non-current assets

	Forest estate	Other land	Buildings	Plant and machinery	Information technology	Operational structures	Assets under construction	Total property, plant & equipment	Biological assets	Heritage assets	Total tangible assets
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2023</b>	1,787,442	246,111	14,366	26,992	13,702	94,556	3,525	<b>2,186,694</b>	447,864	7,474	<b>2,642,032</b>
Additions	-	1,039	134	1,640	18	91	4,461	<b>7,383</b>	-	-	<b>7,383</b>
Assets commissioned in year	-	-	-	-	-	-	-	-	-	-	-
Disposals, derecognition and write-offs	-	(4)	-	(824)	(12,376)	(103)	-	<b>(13,307)</b>	-	-	<b>(13,307)</b>
Movement from/(to) held for sale	8	-	(1)	(244)	-	-	-	<b>(237)</b>	-	-	<b>(237)</b>
Fellings	(19,857)	-	-	-	-	-	-	<b>(19,857)</b>	(7,532)	-	<b>(27,389)</b>
Indexation and revaluation	(23,842)	51,143	231	-	-	1,655	-	<b>29,187</b>	(38,143)	-	<b>(8,956)</b>
Reclassification	-	1,570	-	111	32	595	(2,291)	<b>17</b>	-	56	<b>73</b>
<b>At 31 March 2024</b>	<b>1,743,751</b>	<b>299,859</b>	<b>14,730</b>	<b>27,675</b>	<b>1,376</b>	<b>96,794</b>	<b>5,695</b>	<b>2,189,880</b>	<b>402,189</b>	<b>7,530</b>	<b>2,599,599</b>
<b>Depreciation</b>											
<b>At 1 April 2023</b>	-	-	1,156	16,796	12,947	28,576	-	<b>59,475</b>	-	-	<b>59,475</b>
Charged in year	-	-	642	1,756	148	3,157	-	<b>5,703</b>	-	-	<b>5,703</b>
Disposals, derecognition and write-offs	-	-	-	(677)	(12,376)	(87)	-	<b>(13,140)</b>	-	-	<b>(13,140)</b>
Movement from/(to) held for sale	-	-	-	(246)	-	-	-	<b>(246)</b>	-	-	<b>(246)</b>
Indexation and revaluation	-	-	11	-	-	480	-	<b>491</b>	-	-	<b>491</b>
Reclassification	-	-	-	(19)	-	19	-	-	-	-	-
<b>At 31 March 2024</b>	-	-	<b>1,809</b>	<b>17,610</b>	<b>719</b>	<b>32,145</b>	-	<b>52,283</b>	-	-	<b>52,283</b>
<b>Carrying amount at 1 April 2023</b>	<b>1,787,442</b>	<b>246,111</b>	<b>13,210</b>	<b>10,196</b>	<b>755</b>	<b>65,980</b>	<b>3,525</b>	<b>2,127,219</b>	<b>447,864</b>	<b>7,474</b>	<b>2,582,557</b>
<b>Carrying amount at 31 March 2024</b>	<b>1,743,751</b>	<b>299,859</b>	<b>12,921</b>	<b>10,065</b>	<b>657</b>	<b>64,649</b>	<b>5,695</b>	<b>2,137,597</b>	<b>402,189</b>	<b>7,530</b>	<b>2,547,316</b>

Buildings include dwellings with a carrying amount of £322k. The other buildings are offices and workbases.

The amount held in the Revaluation Reserve for tangible assets at 31 March 2024 was £2,038,589k.

### Comparative figures for the year ended 31 March 2023

	Forest estate	Other land	Buildings	Plant and machinery	Information technology	Operational structures	Assets under construction	Total property, plant & equipment	Biological assets	Heritage assets	Total tangible assets
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2022</b>	1,723,640	204,473	14,570	26,231	13,709	87,592	3,335	<b>2,073,550</b>	457,790	7,403	<b>2,538,743</b>
Transferred to right of use asset at 1 April 2022	(48,317)	(4,093)	-	-	-	-	-	<b>(52,410)</b>	-	-	<b>(52,410)</b>
Additions	1,858	201	-	1,657	-	167	2,414	<b>6,297</b>	-	71	<b>6,368</b>
Assets commissioned in year	395	324	-	1,142	-	348	(2,209)	-	-	-	-
Disposals, derecognition and write-offs	-	(209)	(788)	(2,117)	(7)	(157)	(16)	<b>(3,294)</b>	-	-	<b>(3,294)</b>
Movement from/(to) held for sale	(9)	217	254	79	-	-	-	<b>541</b>	-	-	<b>541</b>
Fellings	(19,218)	-	-	-	-	-	-	<b>(19,218)</b>	(7,290)	-	<b>(26,508)</b>
Indexation and revaluation	129,093	45,065	463	-	-	6,606	1	<b>181,228</b>	(2,636)	-	<b>178,592</b>
Reclassification	-	133	(133)	-	-	-	-	-	-	-	-
<b>At 31 March 2023</b>	<b>1,787,442</b>	<b>246,111</b>	<b>14,366</b>	<b>26,992</b>	<b>13,702</b>	<b>94,556</b>	<b>3,525</b>	<b>2,186,694</b>	<b>447,864</b>	<b>7,474</b>	<b>2,642,032</b>
<b>Depreciation</b>											
<b>At 1 April 2022</b>	-	-	105	16,748	12,805	23,536	-	<b>53,194</b>	-	-	<b>53,194</b>
Transferred to right of use asset at 1 April 2022	-	-	-	-	-	-	-	-	-	-	-
Charged in year	-	-	944	1,690	149	3,403	-	<b>6,186</b>	-	-	<b>6,186</b>
Disposals, derecognition and write-offs	-	-	(5)	(1,685)	(7)	(31)	-	<b>(1,728)</b>	-	-	<b>(1,728)</b>
Movement from/(to) held for sale	-	-	108	43	-	-	-	<b>151</b>	-	-	<b>151</b>
Indexation and revaluation	-	(2)	6	-	-	1,668	-	<b>1,672</b>	-	-	<b>1,672</b>
Reclassification	-	2	(2)	-	-	-	-	-	-	-	-
<b>At 31 March 2023</b>	-	-	<b>1,156</b>	<b>16,796</b>	<b>12,947</b>	<b>28,576</b>	-	<b>59,475</b>	-	-	<b>59,475</b>
<b>Carrying amount at 1 April 2022</b>	<b>1,723,640</b>	<b>204,473</b>	<b>14,465</b>	<b>9,483</b>	<b>904</b>	<b>64,056</b>	<b>3,335</b>	<b>2,020,356</b>	<b>457,790</b>	<b>7,403</b>	<b>2,485,549</b>
<b>Carrying amount at 31 March 2023</b>	<b>1,787,442</b>	<b>246,111</b>	<b>13,210</b>	<b>10,196</b>	<b>755</b>	<b>65,980</b>	<b>3,525</b>	<b>2,127,219</b>	<b>447,864</b>	<b>7,474</b>	<b>2,582,557</b>

### Asset Financing

Assets determined as held under lease have been transferred to note 8.1 after implementation of IFRS 16. See note 8 for further details.

Buildings include dwellings with a carrying amount of £344k. The other buildings are offices and workbases.

The amount held in the Revaluation Reserve for tangible assets at 31 March 2023 was £2,028,174k.

### 7.1.1 Forest estate including biological assets

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

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

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

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

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

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

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

The apportionment of trees between biological assets and property, plant and equipment was carried out by NRW staff using judgements and estimates. An assessment was made of the proportion primarily held for economic purposes and the resulting percentage was used to determine the value of trees classed as a biological asset. Should there be an acquisition or disposal of land that would create a total change in our forest estate land holding of ten per cent or more, an interim review of the assessment would take place. There was no such change during the period ending 31 March 2024. The percentage split is currently 27.5% for biological assets and 72.5% for Property, Plant and Equipment. As required under IAS 41, the fair value of biological assets is reduced by estimated costs to the point of sale. These costs are estimated at 10% of timber values and reflect the costs of selling the woodland or forest.

### 7.1.2 Windfarms

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

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

Leases for windfarms which are in the development or operation stage are capitalised as land asset within other land in note 7.1. Four (2022/23 : four) windfarms are included within property, plant and equipment. At the point of capitalisation, the value of the land is deducted from the Forest Estate valuation which is disclosed within Other Land and is included with the windfarm valuation. A RICS red book valuation is carried out at the point of recognition. For the year ended 31 March 2024 the windfarms were valued in line with the rolling programme outlined in note 7.

The individual values for the windfarms are shown below.

	<b>31 March 2024</b>	<b>31 March 2023</b>
	<b>£'000</b>	<b>£'000</b>
Cefn Croes	14,562	14,373
Pen y Cymoedd	96,272	86,271
Brechfa West	70,046	44,348
Clocaenog	<u>36,053</u>	<u>32,274</u>
<b>Total</b>	<b>216,933</b>	<b>177,266</b>

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

### 7.1.3 Heritage assets

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

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

As at 31 March 2024 NRW manages 56 of Wales' National Nature Reserves, either entirely, or in partnership, and one Marine Nature Reserve (MNR). There was one heritage asset recalassification of £56k and purchases of £nil (2022/23: £71k) during the year.

Because of the diverse nature of the land held and the lack of comparable market values, NRW considers that obtaining external valuations would involve disproportionate cost. Heritage assets are therefore held at cost. Preservation costs (expenditure required to preserve the heritage asset) are recognised in the Statement of Comprehensive Net Expenditure when they are incurred.

#### Heritage Assets 4 year movements

	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000
Opening balance	7,099	7,403	7,403	7,474
Additions	304	-	71	-
Reclassifications	-	-	-	56
<b>Closing balance</b>	<b>7,403</b>	<b>7,403</b>	<b>7,474</b>	<b>7,530</b>

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

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

## 7.2 Intangible non-current assets

	Software licences	Other licences	Software development expenditure	Website	Assets under construction	Total intangible assets
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
<b>At 1 April 2023</b>	5,803	2,356	38,280	486	10,480	<b>57,405</b>
Additions	-	-	180	-	7,530	<b>7,710</b>
Assets commissioned in year	(1,543)	-	8,074	-	(6,899)	<b>(368)</b>
Disposals, derecognition and write-offs	(237)	-	-	-	(28)	<b>(265)</b>
Indexation and revaluation	-	-	-	-	-	-
Reclassification	-	(74)	-	411	(42)	<b>295</b>
<b>At 31 March 2024</b>	<b>4,023</b>	<b>2,282</b>	<b>46,534</b>	<b>897</b>	<b>11,041</b>	<b>64,777</b>
<b>Amortisation</b>						
<b>At 1 April 2023</b>	4,494	72	20,706	486	-	<b>25,758</b>
Charged in year	194	13	5,041	160	-	<b>5,408</b>
Disposals, derecognition and write-offs	(237)	-	-	-	-	<b>(237)</b>
Indexation and revaluation	-	-	-	-	-	-
Reclassification	(897)	-	897	-	-	-
<b>At 31 March 2024</b>	<b>3,554</b>	<b>85</b>	<b>26,644</b>	<b>646</b>	<b>-</b>	<b>30,929</b>
<b>Carrying Amount at 1 April 2023</b>	<b>1,309</b>	<b>2,284</b>	<b>17,574</b>	<b>-</b>	<b>10,480</b>	<b>31,647</b>
<b>Carrying Amount at 31 March 2024</b>	<b>469</b>	<b>2,197</b>	<b>19,890</b>	<b>251</b>	<b>11,041</b>	<b>33,848</b>

The amount held in the Revaluation Reserve for these assets at 31 March 2024 was £568k.

### Comparative figures for the year ended 31 March 2023

	Software licences	Other licences	Software development expenditure	Website	Assets under construction	Total intangible assets
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
<b>At 1 April 2022</b>	5,722	2,356	32,971	486	8,792	<b>50,327</b>
Additions	-	-	374	-	6,746	<b>7,120</b>
Assets commissioned in year	81	-	4,977	-	(5,058)	-
Disposals, derecognition and write-offs	-	-	(42)	-	-	<b>(42)</b>
Indexation and revaluation	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-
<b>At 31 March 2023</b>	<b>5,803</b>	<b>2,356</b>	<b>38,280</b>	<b>486</b>	<b>10,480</b>	<b>57,405</b>
<b>Amortisation</b>						
<b>At 1 April 2022</b>	3,964	60	16,215	486	-	<b>20,725</b>
Charged in year	530	12	4,532	-	-	<b>5,074</b>
Disposals, derecognition and write-offs	-	-	(41)	-	-	<b>(41)</b>
Indexation and revaluation	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-
<b>At 31 March 2023</b>	<b>4,494</b>	<b>72</b>	<b>20,706</b>	<b>486</b>	<b>-</b>	<b>25,758</b>
<b>Carrying Amount at 1 April 2022</b>	<b>1,758</b>	<b>2,296</b>	<b>16,756</b>	<b>-</b>	<b>8,792</b>	<b>29,602</b>
<b>Carrying Amount at 31 March 2023</b>	<b>1,309</b>	<b>2,284</b>	<b>17,574</b>	<b>-</b>	<b>10,480</b>	<b>31,647</b>

The amount held in the Revaluation Reserve for these assets at 31 March 2023 was £601k.

## 8. Leases

IFRS 16 “Leases” was implemented from 1 April 2022; introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases (apart from the exemptions outlined below).

In respect of lessees, IFRS 16 removes the distinction between operating and finance leases and introduces a single accounting model that requires a lessee to recognise (‘right of use’) assets and lease liabilities.

The definition of a lease has been updated under IFRS 16; there is more emphasis on being able to control the use of an asset identified in a contract.

### Implementation and Assumptions

NRW has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated and continues to be reported under IAS 17 “Leases”. The cumulative effect of adopting IFRS 16 is included as an adjustment to equity at the beginning of the year ended 31 March 2023.

NRW has expanded the definition of a lease to include arrangements with nil consideration. Peppercorn leases are examples of these; they are defined by HM Treasury as lease payments significantly below market value. These assets were fair valued on initial recognition. On transition, any differences between the discounted lease liability and the right of use asset were included through cumulative catch up. Any differences between the lease liability and right of use asset for new leases after implementation of IFRS 16 are recorded in income in the SoCNE.

In line with FReM, NRW has not recognised right of use assets and lease liabilities for the following leases:

- intangible assets;
- non-lease components of contracts where applicable;
- low value assets (these are determined to be in line with capitalisation thresholds on Property, Plant and Equipment except vehicles which have been deemed to be not of low value); and
- leases with a lease term of 12 months or less.

On implementation NRW assessed all contracts that were entered into, and unexpired at 1 April 2022.

### Policy applicable from 1 April 2022

At inception of a contract, NRW will assess whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time. This includes assets for which there is no consideration. To assess whether a contract conveys the right to control the use of an identified asset, NRW will consider whether:

- The contract involves the use of an identified asset;
- NRW has the right to obtain substantially all of the economic benefit from the use of the asset throughout the period of use; and
- NRW has the right to direct the use of the asset.

The policy is applied to contracts entered into, or changed, on or after 1 April 2022.

NRW will assess whether it is reasonably certain to exercise break options or extension options at the lease commencement date. This will be reassessed if there are significant events or changes in circumstances that were not anticipated.

## **As a Lessee**

### **Right of use assets**

Under IFRS 16 NRW recognises a right of use asset and lease liability at the commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for initial direct costs, prepayments or incentives, and costs related to restoration at the end of a lease.

The right of use assets are subsequently measured at either fair value or current value in existing use in line with property, plant and equipment assets. The cost measurement model in IFRS 16 is used as an appropriate proxy for current value in existing use or fair value for the majority of leases.

The right of use asset is depreciated using the straight line method from the commencement date to the earlier of the end of the lease term.

NRW applies IAS 36 Impairment of Assets to determine whether the right of use asset is impaired and to account for any impairment loss identified. This replaces the previous requirement to recognise a provision for onerous lease contracts.

Right of use assets, including transition adjustments, are presented in note 8.1.

### **Lease liabilities**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that cannot be readily determined, using the rate determined by HM Treasury issued Public Expenditure System (PES) papers. PES rates are published annually for the forthcoming year. The discount rate applied at transition, and for the year ended 31 March 2023 was 0.95% and 3.51% for the year ended 31 March 2024.

The lease payment is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in the index or rate, or if there is a revised in-substance fixed lease payment.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments;
- Penalties for early termination of a lease, unless it is reasonably certain not to be terminated early.

When the lease liability is re-measured, a corresponding adjustment is made to the right of use asset or recorded in the SoCNE if the carrying amount of the right of use asset is zero.

Lease liabilities are presented in note 8.2

## **As a lessor**

Where NRW acts as a lessor, it determines at lease inception whether each lease is a finance or operating lease. To classify each lease, NRW will make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not then it is an operating lease.

Where NRW is an intermediate lessor, it accounts for its interest in the head lease and the sub lease separately. If a head lease is a short term lease to which NRW applies the exemption above, then the sublease classifies as an operating lease. NRW will recognise lease payments under operating leases as income on a straight line basis over the length of the lease terms. The accounting policies applicable to NRW as a lessor are largely unchanged by IFRS 16 except for reviews of intermediate lessor arrangements. The changes for IFRS 16 were not material for lessor arrangements.

### **Impact on financial statements**

On transition to IFRS 16, NRW recognised an additional £65.2m of right of use assets and £13.5m of lease liabilities.

£52.4m of assets previously recognised as finance leases were transferred from non-current assets as part of this adjustment. These leases were previously accounted for as finance leases and recorded within note 7.1 of the financial statements. There has been no change to the valuation methodology applied as detailed in note 7 to the financial statements.

Any differences between the right of use asset and right of use liability on transition were recognised in the general fund account in the year ended 31 March 2023.

## 8.1 Right of use assets

	Forest estate land	Other land	Buildings	Plant and machinery	Heritage assets	Total Right of Use assets
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2023</b>	59,807	384	7,578	3,386	1,278	<b>72,433</b>
Additions	-	18	4,083	745	-	<b>4,846</b>
Disposals, derecognition and write-offs	-	(59)	-	(31)	(5)	<b>(95)</b>
Indexation and revaluation	12,064	-	-	-	-	<b>12,064</b>
<b>At 31 March 2024</b>	<b>71,871</b>	<b>343</b>	<b>11,661</b>	<b>4,100</b>	<b>1,273</b>	<b>89,248</b>
<b>Depreciation</b>						
<b>At 1 April 2023</b>	4	57	1,530	969	58	<b>2,618</b>
Charged in year	-	37	1,682	1,063	58	<b>2,840</b>
Disposals, derecognition and write-offs	-	(59)	-	(25)	-	<b>(84)</b>
Indexation and revaluation	-	-	-	-	-	<b>-</b>
<b>At 31 March 2024</b>	<b>4</b>	<b>35</b>	<b>3,212</b>	<b>2,007</b>	<b>116</b>	<b>5,374</b>
<b>Carrying amount at 1 April 2023</b>	<b>59,803</b>	<b>327</b>	<b>6,048</b>	<b>2,417</b>	<b>1,220</b>	<b>69,815</b>
<b>Carrying amount at 31 March 2024</b>	<b>71,867</b>	<b>308</b>	<b>8,449</b>	<b>2,093</b>	<b>1,157</b>	<b>83,874</b>

### Comparative figures for the year ended 31 March 2023

	Forest estate land	Other land	Buildings	Plant and machinery	Heritage assets	Total Right of Use assets
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2022</b>	-	-	-	-	-	<b>-</b>
Transferred from non-current assets at 1 April 2022	52,410	-	-	-	-	<b>52,410</b>
Transitioned at 1 April 2022	-	579	8,080	2,856	1,278	<b>12,793</b>
Additions	-	-	133	548	-	<b>681</b>
Disposals, derecognition and write-offs	(71)	-	-	(18)	-	<b>(89)</b>
Indexation and revaluation	7,468	(195)	(635)	-	-	<b>6,638</b>
<b>At 31 March 2023</b>	<b>59,807</b>	<b>384</b>	<b>7,578</b>	<b>3,386</b>	<b>1,278</b>	<b>72,433</b>
<b>Depreciation</b>						
<b>At 1 April 2022</b>	-	-	-	-	-	<b>-</b>
Transferred from non-current assets at 1 April 2022	-	-	-	-	-	<b>-</b>
Transitioned at 1 April 2022	-	-	-	-	-	<b>-</b>
Charged in year	4	57	1,530	972	58	<b>2,621</b>
Disposals, derecognition and write-offs	-	-	-	(3)	-	<b>(3)</b>
Indexation and revaluation	-	-	-	-	-	<b>-</b>
<b>At 31 March 2023</b>	<b>4</b>	<b>57</b>	<b>1,530</b>	<b>969</b>	<b>58</b>	<b>2,618</b>
<b>Carrying amount at 1 April 2022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Carrying amount at 31 March 2023</b>	<b>59,803</b>	<b>327</b>	<b>6,048</b>	<b>2,417</b>	<b>1,220</b>	<b>69,815</b>

## 8.2 Lease Liabilities

	31 March 2024	31 March 2023
	£'000	£'000
<b>Due within 1 year</b>		
Lease liabilities (current)	2,339	2,367
<b>Total</b>	<u>2,339</u>	<u>2,367</u>
<b>Due after 1 year</b>		
Lease liabilities (non current)	8,221	8,276
<b>Total lease liabilities</b>	<u>10,560</u>	<u>10,643</u>

Maturity analysis of leases held under IFRS 16

	31 March 2024	31 March 2023
	£'000	£'000
Due within 1 year	2,339	2,367
Due in 2-5 years	3,949	4,240
Due in more than 5 years	4,272	4,036
<b>Total lease liabilities</b>	<u>10,560</u>	<u>10,643</u>

	31 March 2024	31 March 2023
	£'000	£'000
<b>Leases under IFRS 16</b>		
Interest on lease liabilities	101	117
Expenses relating to short-term leases (excluding low-value assets)	93	268
Expenses relating to leases of low-value assets	-	-
	<u>194</u>	<u>385</u>

### Other operating leases

For short term leases (lease term of 12 months or less) and leases of low-value assets, NRW will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16. Other operating leases disclosed below relate to those agreements that are not captured by IFRS 16.

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

	31 March 2024	31 March 2023
	£'000	£'000
<b>Obligations under operating leases are:</b>		
Not later than one year	87	14
Later than one year and not later than five years	3	3
Later than five years	24	22
<b>Total value of obligations</b>	<u>114</u>	<u>39</u>

## 9. Financial liabilities and instruments

### 9.1 Financial liability

The financial liability of £39,435k reported in the Statement of Financial Position represents the liability from reservoir operating agreements.

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

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

An amount of £7,608k due to Dŵr Cymru Welsh Water was accounted for during 2023/24 (2022/23: £7,173k) for the indexed fixed payments. These are included with other payments under the reservoir operating agreements in Note 5.

Legislative obligations relating to enhanced standards for spillways, pipes & dams as well as assets coming to the end of their useful lives have resulted in Dŵr Cymru Welsh Water implementing a capital programme across Clwyd, Dwyfor, Aled, Dee, Wye & Tywi catchments. The works, which started in 2018/19, are expected to take 10 years and are due to complete in 2027/28. The projected total cost of this programme has increased since the start of the programme. The latest estimates from Dŵr Cymru Welsh Water indicate that the programme will cost £50.0m. NRW has agreed an incremental payment schedule with Dŵr Cymru Welsh Water to smoothly distribute the cost resulting in manageable increased charges for the abstractor. This facility has enabled NRW to forecast a sustainable Standard Unit Charge Account over the duration of this programme.

The cost is reported within Reservoir operating agreements in Note 5 and the in-year deficit has been added to the long term payables in Note 13. The corresponding increase in attributable income to be received is reported within abstraction costs in Note 6.1 and long term receivables in Note 11.

### 9.2 Financial instruments

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

Under IFRS 9, an Expected Credit Loss (ECL) model is used to estimate and account for expected credit losses for all relevant financial assets. NRW's estimate is based on our historic experience of credit losses updated for known future credit issues.

## 10. Financial Assets

	31 March 2024	31 March 2023
	£'000	£'000
<b>Non-current</b>		
Lake Vyrnwy forest	15,009	16,358
	<u>15,009</u>	<u>16,358</u>

### Lake Vyrnwy forest

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

## 11. Trade and other receivables

	31 March 2024	31 March 2023
	£'000	£'000
<b>Due within 1 year</b>		
Trade receivables	13,970	10,009
Expected credit loss	(230)	(174)
Contract assets - Commercial and other	4,160	5,293
Accrued income - Fees and charges	3,503	2,812
Accrued income - WG Grants	17,130	13,214
Accrued income - European income	1,619	1,260
VAT receivable	1,780	4,116
Prepayments	3,120	2,275
Deposit	45	59
Other receivables	24	25
<b>Total</b>	<u><b>45,121</b></u>	<u><b>38,889</b></u>
<b>Due after 1 year</b>		
Long term receivables	11,940	3,462
<b>Total Trade and other receivables</b>	<u><b>57,061</b></u>	<u><b>42,351</b></u>

## 12. Payments on account

	31 March 2024	31 March 2023
	£'000	£'000
Payments on account	19,000	-
<b>Total</b>	<u><b>19,000</b></u>	<u><b>-</b></u>

NRW has made a without prejudice payment on account of £19m to HMRC in respect of any prospective PAYE income tax, NIC and apprenticeship levy or any other liability NRW may have to HMRC under IR35 regulations following HMRC's ongoing enquiry of NRW's treatment of off-payroll engagements. This also includes interest that may be payable by NRW to HMRC at the conclusion of its enquiry and/or any appeals or settlement. Further detail surrounding the basis of this payment is included within note 21. There is also a corresponding creditor of the same amount included within trade and other payables in note 14.

### 13. Cash and cash equivalents

	31 March 2024	31 March 2023
	£'000	£'000
Opening balance	5,077	8,993
Net change in cash and cash equivalent balances	4,710	(3,916)
<b>Total</b>	<b>9,787</b>	<b>5,077</b>
The following balances were held at 31 March		
Government Banking Service	9,785	5,075
Cash in hand	2	2
<b>Total</b>	<b>9,787</b>	<b>5,077</b>

Cash and cash equivalents comprise cash in hand, financial provisions (see Note 1.10) and current balances which are held in Government Banking Service. These balances are readily convertible to known amounts of cash, and are subject to insignificant risk of changes in value. Financial provisions are not available for use by NRW. Only when the permit conditions are breached by the landfill operator will NRW give due consideration to drawing down the provision in place.

## 14. Trade and other payables

	31 March 2024	31 March 2023
	£'000	£'000
<b>Due within 1 year</b>		
Trade payables	2,451	9,505
Trade payables accrual	33,960	21,304
Deferred Income - Fees and Charges	4,181	3,315
Deferred Income - EU and other funding	6,379	6,934
Contract Liabilities - Fees and Charges	219	536
Contract Liabilities - Commercial	1,238	955
Holiday pay	3,620	3,605
Bonds and deposits	3,036	2,895
WG funding received in advance	19,000	-
Other payables	5,280	19
Taxation and social security	9	9
<b>Total</b>	<b>79,373</b>	<b>49,077</b>
<b>Due after 1 year</b>		
Long term payables	11,158	2,680
Long term deferred income	80	253
Long term bonds and deposits	93	121
<b>Total</b>	<b>11,331</b>	<b>3,054</b>
<b>Total Trade and other payables</b>	<b>90,704</b>	<b>52,131</b>

As at 31 March 2024, the table above includes amounts repayable to WG. £19m was received to make a payment on account to HMRC (see also note 12 and 21) and the terms of repayment to WG are to be agreed. Included within other payables are amounts related to overclaimed funding and working capital cash to be repaid to WG during the next financial year.

## 15. Provisions

	Grants	Other	Total
	£'000	£'000	£'000
<b>Balance at 1 April 2023</b>	82	1,001	1,083
Provided in the year - SoCNE	92	74	166
Provided in the year - Right of Use asset (note 8.1)	-	1,951	1,951
Released in year	-	(53)	(53)
Used in the year	(82)	(63)	(145)
<b>Balance at 31 March 2024</b>	<b>92</b>	<b>2,910</b>	<b>3,002</b>
<b>Estimated timing of discounted cash flows</b>			
Due within one year	92	2,910	3,002
Due between one and five years	-	-	-
<b>Total</b>	<b>92</b>	<b>2,910</b>	<b>3,002</b>

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

Provisions for grant payments are included where the work carried out by the grant partners had completed on or before 31 March 2024, but the claim is not due to be submitted to NRW until June 2024. The value of the provision is based on the grant offer letter.

Other provisions relate to potential dilapidations charges on rented office space. The brought forward provision in relation to hazardous waste has been released during the year.

The costs of the other provisions are shown in note 5. The movement in expected credit loss is also shown in note 5, and the total provision for expected credit loss is shown in Note 11 and included in the Statement of Financial Position under Trade and other receivables.

## 16. Pension obligations

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

### 16.1 Civil Service Pension Scheme

CSPS is open to new employees.

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 switched into alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

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

The partnership pension account is an occupational defined contribution pension arrangement, which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

Further details about the Civil Service pension arrangements can be found at the website. [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

## 16.2 Local Government Pension Scheme (LGPS)

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

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

The total LGPS pension charge for NRW for the financial year 2023/24 was £6,988k (£14,855k in 2022/23). The pension charge relating to the scheme was assessed in accordance with the advice of an independent qualified actuary using the projected unit method of valuation to calculate the service costs. NRW's funding arrangements are to pay the employer contributions to the Pension Fund either on a monthly basis or as lump sum payments.

The latest triennial actuarial valuation of the EAPF was at 31 March 2022. The assets taken at market value (£4.5 billion) were sufficient to cover 103% of the value of liabilities in respect of past service benefits which had accrued to members. NRW accepted the independent actuary's recommendation in respect of future employer contributions. The next triennial actuarial valuation will be as at 31 March 2025 and will be used to set employer contribution rates for the three-year period starting 1 April 2026.

The annual report and financial statements for the EAPF estimated that it had sufficient assets to meet 153% of its expected future liabilities at 31 March 2024 on an ongoing funding basis. NRW's share of the EAPF's liabilities as reported in these financial statements is calculated on an accounting basis using different actuarial assumptions, required by IAS19.

There are two main differences in the assumptions used in these financial statements under an accounting basis (IAS 19) and those used for funding purposes, as reported by EAPF. These differences are in the discount rate assumption and the pension increase assumption used to value pension liabilities. The EAPF discount rate for funding purposes is based on a prudent expectation of the return generated from the portfolio of assets owned by the EAPF. At 31 March 2022 this discount rate was 3.1% p.a. The discount rate used in the NRW financial statements (4.85% p.a.), as required by IAS 19, is based on high quality corporate bond yields with no additional asset performance assumption.

A number of assumptions are made as part of the actuarial valuation process. The prudent actuarial assumptions used do not represent a view on what future pay movements may be. It was assumed at the 2022 actuarial valuation that present and future pensions in payment will increase at the rate of 3.0% per annum. The estimated contribution payable by NRW, excluding any discretionary lump sum payments, for the year to 31 March 2025 will be approximately £0 as it has paid all of its normal employer contributions in March 2024.

The 2022 valuation covers the experience of the Covid 19 pandemic. The funding position was not significantly affected by the pandemic as pension ceasing was broadly in line with expectations. Overall, the mortality experience has had minimal impact on the funding position. The EAPF's actuary continues to monitor the funding level and outlook for the long-term economy and returns on the Active Fund's assets on a regular basis.

As the tables within Note 16.2 below indicate, the actuarial valuation of NRW's share of the EAPF as at 31 March 2024 is a surplus of £113.1m (31 March 2023 £80.1m)

NRW have considered whether, in accordance with IAS 19 and IFRIC 14, it is appropriate to recognise an asset equivalent to the full value of the surplus or capped at ceiling value equal to the economic benefit available to NRW and whether there are additional liabilities due to any minimum funding requirements which may exist.

It is determined that a ceiling value is to be applied equal to the maximum benefit available to NRW by reduced contributions. The actuary have provided their calculations for this value using assumptions that are consistent with those used to determine the defined benefit obligation and with the situation that exists at the end of the reporting period.

A ceiling value of £57.9m which is equal to the present value of future service costs is applied. This value includes no adjustment for future service contributions as it is determined that no minimum funding requirement exists.

Cash contributions paid by NRW to the pension fund will continue to be set by reference to assumptions agreed at each triennial actuarial valuation of the scheme.

## 16.2.1 Financial and longevity assumptions

Period Ended	31 March 2024 % p.a.	31 March 2023 % p.a.
Pension Increase Rate	2.75%	2.95%
Salary Increase Rate	3.25%	3.45%
Discount Rate	4.85%	4.75%

As at the date of the most recent valuation, the duration of the employer's funded liabilities is 20 years.

	Males	Females
Current Pensioners	21.0 years	23.6 years
Future Pensioners*	22.2 years	25.5 years

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

## 16.2.2 Sensitivity analysis

Change in assumptions at 31 March 2024:	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	7,312
1 Year increase in member life expectancy	4%	14,077
0.1% increase in the Salary Increase Rate	0%	410
0.1% increase in the Pension Increase Rate	2%	7,034

## 16.2.3 Duration of defined benefit obligation

The duration of the defined benefit obligation (i.e. the weighted average of the time until payment of future cash flows) for scheme members calculated at the last triennial valuation as at 31 March 2022 was calculated by the actuary as 20 years.

## 16.2.4 Fair Value of Assets

### Fair Value of Assets for the year ended 31 March 2024

Asset Category	31 March 2024 (£000)				
	Quoted	Unquoted	Undetermined	Total	%
<b>Equity Securities:</b>					
Common Stock	60,049	-	-	60,049	13%
Preferred Stock	-	-	-	-	0%
Rights/Warrants	-	-	-	-	0%
Other Equity Assets	264	-	-	264	0%
<b>Debt Securities:</b>					
UK Government Bonds	-	-	-	-	0%
Corporate Bonds	-	-	-	-	0%
Other	-	-	-	-	0%
<b>Pooled Investment Vehicles:</b>					
Equities	-	135,494	-	135,494	29%
Bonds	-	170,523	-	170,523	37%
Funds - Common Stock	-	-	-	-	0%
Funds - Real Estate	-	4,215	-	4,215	1%
Funds - Venture Capital	-	68	-	68	0%
<b>Venture Capital and Partnerships:</b>					
Partnerships & Real Estate	-	73,782	-	73,782	16%
<b>Other Investment:</b>					
Stapled Securities	-	-	-	-	0%
<b>Derivative Contracts:</b>					
Equity Derivatives - Futures	-	-	-	-	0%
Forward FX Contracts	-	(316)	-	(316)	0%
<b>Cash and Cash equivalents</b>					
All	-	-	21,015	21,015	5%
<b>Totals</b>	<b>60,313</b>	<b>383,766</b>	<b>21,015</b>	<b>465,094</b>	<b>100%</b>

### Fair Value of Assets for the year ended 31 March 2023

Asset Category	31 March 2023 (£000)				
	Quoted	Unquoted	Undetermined	Total	%
<b>Equity Securities:</b>					
Common Stock	52,330	-	-	52,330	12%
Preferred Stock	-	-	-	-	0%
Rights/Warrants	-	-	-	-	0%
Other Equity Assets	359	-	-	359	0%
<b>Debt Securities:</b>					
UK Government Bonds	-	-	-	-	0%
Corporate Bonds	-	-	-	-	0%
Other	-	-	-	-	0%
<b>Pooled Investment Vehicles:</b>					
Equities	-	117,549	-	117,549	27%
Bonds	-	166,584	-	166,584	39%
Funds - Common Stock	-	-	-	-	0%
Funds - Real Estate	-	-	-	-	0%
Funds - Venture Capital	-	-	-	-	0%
<b>Venture Capital and Partnerships:</b>					
Partnerships & Real Estate	-	80,790	-	80,790	19%
<b>Other Investment:</b>					
Stapled Securities	-	-	-	-	0%
<b>Derivative Contracts:</b>					
Equity Derivatives - Futures	44	-	-	44	0%
Forward FX Contracts	-	1,087	-	1,087	0%
<b>Cash and Cash equivalents</b>					
All	-	-	14,550	14,550	3%
<b>Totals</b>	<b>52,733</b>	<b>366,010</b>	<b>14,550</b>	<b>433,293</b>	<b>100%</b>

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

Year ended 31 March 2024	Assets £(000s)	Obligations £(000s)	Net (liability)/ asset £(000s)
Fair value of employer assets	433,293	-	433,293
Present value of funded liabilities	-	352,444	(352,444)
Present value of unfunded liabilities	-	-	-
Asset ceiling applied	(15,504)	-	(15,504)
<b>Opening Position as at 31 March 2023</b>	<b>417,789</b>	<b>352,444</b>	<b>65,345</b>
Service cost			
- Current service cost*	-	6,988	(6,988)
- Past service cost (including curtailments)	-	-	-
- Effect of settlements	-	-	-
<b>Total service cost</b>	<b>-</b>	<b>6,988</b>	<b>(6,988)</b>
Net interest			
- Interest income on plan assets	20,374	-	20,374
- Interest cost on defined benefit obligation	-	16,697	(16,697)
- Impact of asset ceiling on net interest	-	-	-
<b>Total net interest</b>	<b>20,374</b>	<b>16,697</b>	<b>3,677</b>
<b>Total defined benefit cost recognised in Profit or (Loss)</b>	<b>20,374</b>	<b>23,685</b>	<b>(3,311)</b>
Cashflows			
- Plan participants' contributions	2,281	2,281	-
- Employer contributions	6,899	-	6,899
- Contributions in respect of unfunded benefits	-	-	-
- Benefits paid	(11,138)	(11,138)	-
- Unfunded benefits paid	-	-	-
Effect of business combinations and disposals	-	-	-
<b>Expected closing position</b>	<b>436,205</b>	<b>367,272</b>	<b>68,933</b>
Remeasurements			
- Change in financial assumptions	-	(22,925)	22,925
- Change in demographic assumptions	-	(2,307)	2,307
- Other experience	-	9,876	(9,876)
- Return on assets excluding amounts included in net interest	13,386	-	13,386
- Changes in asset ceiling	(39,764)	-	(39,764)
<b>Total remeasurements recognised in Other Comprehensive Income (OCI)</b>	<b>(26,378)</b>	<b>(15,356)</b>	<b>(11,022)</b>
Exchange differences	-	-	-
Fair value of employer assets	409,827	-	409,827
Present value of funded liabilities	-	351,916	(351,916)
Present value of unfunded liabilities	-	-	-
<b>Closing position as at 31 March 2024</b>	<b>409,827</b>	<b>351,916</b>	<b>57,911</b>

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

It is estimated that the present value of funded liabilities comprises of approximately £171,078,000, £50,214,000 and £130,624,000 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2024. The employer's fair value of plan assets is approximately 10% of the Fund's total.

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

Year ended 31 March 2023			
	Assets	Obligations	Net (liability)/asset
	£(000s)	£(000s)	£(000s)
Fair value of employer assets	463,434	-	463,434
Present value of funded liabilities	-	517,808	(517,808)
Present value of unfunded liabilities	-	-	-
<b>Opening Position as at 31 March 2022</b>	<b>463,434</b>	<b>517,808</b>	<b>(54,374)</b>
Service cost			
- Current service cost*	-	14,855	(14,855)
- Past service cost (including curtailments) **	-	-	-
- Effect of settlements	-	-	-
<b>Total service cost</b>	<b>-</b>	<b>14,855</b>	<b>(14,855)</b>
Net interest			
- Interest income on plan assets	12,416	-	12,416
- Interest cost on defined benefit obligation	-	14,083	(14,083)
- Impact of asset ceiling on net interest	-	-	-
<b>Total net interest</b>	<b>12,416</b>	<b>14,083</b>	<b>(1,667)</b>
<b>Total defined benefit cost recognised in Profit or (Loss)</b>	<b>12,416</b>	<b>28,938</b>	<b>(16,522)</b>
Cashflows			
- Plan participants' contributions	2,197	2,197	-
- Employer contributions	6,816	-	6,816
- Contributions in respect of unfunded benefits	-	-	-
- Benefits paid	(8,722)	(8,722)	-
- Unfunded benefits paid	-	-	-
Effect of business combinations and disposals	-	-	-
<b>Expected closing position</b>	<b>476,141</b>	<b>540,221</b>	<b>(64,080)</b>
Remeasurements			
- Change in financial assumptions	-	(223,729)	223,729
- Change in demographic assumptions	-	972	(972)
- Other experience	(5,230)	34,980	(40,210)
- Return on assets excluding amounts included in net interest	(37,618)	-	(37,618)
- Changes in asset ceiling	(15,504)	-	(15,504)
<b>Total remeasurements recognised in Other Comprehensive Income (OCI)</b>	<b>(58,352)</b>	<b>(187,777)</b>	<b>129,425</b>
Exchange differences	-	-	-
Fair value of employer assets	417,789	-	417,789
Present value of funded liabilities	-	352,444	(352,444)
Present value of unfunded liabilities	-	-	-
<b>Closing position as at 31 March 2023</b>	<b>417,789</b>	<b>352,444</b>	<b>65,345</b>

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

## 17. Capital commitments

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

	31 March 2024	31 March 2023
	£'000	£'000
<b>Property, plant and equipment</b>		
Plant and machinery	755	296
Transport equipment	32	11
Operational structures	489	621
Public structures	186	156
Information technology - hardware	283	787
<b>Total</b>	<b>1,745</b>	<b>1,871</b>
<b>Intangible assets</b>		
Information technology - software licences	166	18
Information technology - software development	1,229	787
<b>Total</b>	<b>1,395</b>	<b>805</b>
<b>Total</b>	<b>3,140</b>	<b>2,676</b>

## 18. Commitments under leases

### Implementation of IFRS16

For government bodies reporting under the FReM, IFRS 16 was brought into effect on 1 April 2022 to replace IAS 17 (Leases).

For short term leases (lease term of 12 months or less) and leases of low-value assets, NRW has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. Obligations under operating leases relate to those agreements that are not captured by IFRS 16. These have previously been reported in this note, but are now shown within note 8.2 for clarity.

## 19. Other financial commitments

In addition to the committed expenditure reported in Note 4 (Capital Works Expensed in year), Note 17 (Capital commitments) and Note 18 (Commitments under leases), NRW is committed to the following expenditure at 31 March 2024. These costs include non-cancellable contracts such as service level and land management agreements, as well as open purchase orders for ongoing business:

	31 March 2024	31 March 2023
	£'000	£'000
Not later than one year	22,136	26,973
Later than one year and not later than five years	5,343	5,181
Later than five years	114	140
<b>Total</b>	<b>27,593</b>	<b>32,294</b>

## 20. Lease receivables

Assets (land and buildings) which are leased to external parties under an operating lease are capitalised in accordance with the non-current assets policy which is outlined in Note 7. Operating lease income is accounted for on a straight-line basis and the future minimum lease payments receivable under non-cancellable operating leases are shown in the table below. The future lease payments is estimated using the 12 months of income due to be invoiced during the current financial year. The table includes projected income from windfarms, as NRW manages these leases on behalf of WG and royalties from Energy Delivery Programme, Third party access, Hydro and other leases.

	<b>31 March 2024</b>	<b>31 March 2023</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	21,708	18,798
Later than one year and not later than five years	84,727	73,030
Later than five years	296,895	262,104
<b>Total</b>	<b><u>403,330</u></b>	<b><u>353,932</u></b>

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

## 21. Contingent liabilities

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

Natural Resources Wales has the following contingent liabilities:

	<b>31 March 2024</b>	<b>31 March 2023</b>
	<b>£'000</b>	<b>£'000</b>
Timber sales claims	60	60
Flood and storm damage claims	802	802
Public and employee liability	46	37
<b>Total</b>	<u>907</u>	<u>899</u>

### **Timber sales claims**

NRW has received claims from a timber firm in respect of their contract with NRW. The amount disclosed in the table above relates to one claim.

### **Flood and storm damage claims**

There are 14 open cases relating to damage to properties following failure of storm drains and culverts as a result of Storms Ciara, Dennis and Arwen.

### **Public and employee liability**

The value of 9 public liability claims is included in the table above. These claims are for personal injury, other damage to property and employee grievances.

### **Unquantified contingent liabilities**

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

#### **Flood and storm damage claims**

54 claims have been received where the values are yet to be quantified. Within this there is one potentially significant claim due to damage of flood wall. NRW is in the process of negotiating settlement, but at the year end this amount remains unquantified.

#### **Other damages claims**

There are 3 other unquantified claims in relation to property damage. There is also 1 loss of earnings and 1 other unquantified damages claim.

#### **Structural work at a leased office**

A structural issue with the outer cladding has been identified on an office leased by NRW. NRW believes that it may be liable for the work required to remedy cladding that is in a state of disrepair, but NRW does not believe it is liable for the cost of fixing the latent defect in the cladding. Discussions are ongoing with the landlord about it and we therefore disclose an unquantified contingent liability.

#### **Financial loss claims**

There is an ongoing claim at the year end in relation to potential loss of income due a variation imposed to the abstraction licence to protect the River Teifi Special Area of Conservation. This claim will be covered to the extent of £660k by NRW's Environmental Improvement Unit Charge (EIUC) scheme. At the year ended 31 March 2024, the potential liability is unquantified due to ongoing negotiations.

#### **Personal Injury**

1 claim has been received in relation to injury received whilst cycling on our estate. There are 12 other open and unquantified cases in relation to slip, trips and falls, and animal and vehicle related incidents.

### **HM Revenue and Customs (HMRC) Review**

NRW have received HMRC's opinion on a potential liability in relation to IR35 and contractors which we have responded to.

A liability may materialise and a wide range of values are possible. However, during the financial year, without any admission of liability, NRW has made a without prejudice payment on account to HMRC of £19 million. This is in respect of any prospective PAYE income tax, NIC and apprenticeship levy or any other liability NRW may have to HMRC. This also includes interest that may be payable by NRW to HMRC at the conclusion of its enquiry and/or any appeals or settlement. The payment on account is included within note 12 to the accounts.

We expect discussions to be ongoing at the time the annual accounts are signed, therefore an unquantified contingent liability is disclosed.

### **Japanese Knotweed**

There are 8 claims for damage caused by Japanese Knotweed awaiting expert opinion about the potential costs of damage and repair.

### **Emerging case law relating to pension schemes**

In June 2023, the High Court found in the Virgin Media case that changes to member benefits in contracted out defined benefit pension schemes between 1996 and 2016 required an actuarial certificate in line with section 37 of the Pension Schemes Act 1993 and that changes without this certification are to be considered void. This requirement applies to past service rights and future service rights, and to changes to the detriment or benefit of scheme members. The judgement was appealed in June 2024 but the appeal was dismissed.

For the Local Government and Civil Service Pension Scheme, the Government Actuary's Department (GAD) do not believe that there are any absent actuarial confirmations. Therefore, they do not expect any liability changes to arise following this judgement. GAD will confirm that actuarial confirmations are available in due course.

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

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

## **23. Date of authorisation for issue**

These Financial Statements are laid before the Senedd by the Minister for Climate Change, Huw Irranca-Davies MS. IAS 10 requires the accounting officer to disclose the date on which the financial statements are authorised for issue. The authorised for issue date is the date of the Auditor General's audit report.

## 24. Related parties

NRW is a Sponsored Body of WG, which is regarded as a related party. During the year, NRW has had significant material transactions with WG in the normal course of business (the grant-in-aid; reported in the Statement of Taxpayers Equity and other grants received from WG during the year; reported in Statement of Net Expenditure). NRW has also had transactions with other entities for which WG is regarded as the parent organisation as well as transactions with other public sector organisations. Most of these transactions have been with Environment Agency and HMRC.

During the year NRW, in the normal course of its business, entered into the following transactions with the following organisations in which Board and Executive Members or other related parties had an interest. The Board and Executive Members have no direct involvement in the transactions with these related parties, and they are not necessarily a direct result or consequence of the relationship. We have shown transactions for the full year including where members have joined or left during the year.

Organisation	Member	Nature of relationship	Total expenditure £'000	Total income £'000	Amount owed by NRW at 31 March 2024 £'000	Amount owed to NRW at 31 March 2024 £'000
Aberystwyth University	Rhys Jones	Professor	14	3	0	1
	Spouse of Rhys Jones	Employee				
Canals and River Trust	Spouse of Julia Cherrett	Trustee	0	27	0	1
Cardiff University	Steve Ormerod	Professor	12	10	0	1
	Calvin Jones	Professor				
Cardiff University Water Research Institute	Steve Ormerod and spouse	Co-Directors				
Cardiff University Llyn Brianne Observatory	Steve Ormerod and spouse	Principal Investigators				
Cartrefi Conwy	Helen Pittaway	Non Executive Director	0	1	0	1

Organisation	Member	Nature of relationship	Total expenditure £'000	Total income £'000	Amount owed by NRW at 31 March 2024 £'000	Amount owed to NRW at 31 March 2024 £'000
Cwm Taf Morgannwg University Health Board	Kathleen Palmer	Vice Chair	0	5	0	1
Cwmni Pum Plwy Penllyn Cyf	Geraint Davies	Director	1	0	0	0
Down to Earth Project	Mark McKenna & Spouse	Directors	5	0	0	0
Joint Nature Conservation Committee	Rhys Jones Steve Ormerod	Committee Members	89	9	0	0
Keep Wales Tidy	Ceri Davies	Trustee	1	1	0	0
National Botanic Garden of Wales	Sarah Jennings	Trustee	4	1	0	0
Pembrokeshire Coast National Park Authority	Rosie Plummer	Board Member	317	1	67	0
Plantlife International	Rosie Plummer	Trustee	64	23	27	23
Royal Society for the Protection of Birds	Steve Ormerod	Vice President	953	2	765	15
Welsh Government	Calvin Jones	Employee (on secondment)	12,805	178,588	24,273	16,400

Document is Restricted

# Written evidence for the Climate Change, Infrastructure and Environment Committee Flood Review

February 2025

## Introduction

Natural Resources Wales (NRW) has been invited to give evidence to the Climate Change, Infrastructure and Environment Committee's inquiry into the impacts from Storms Bert and Darragh.

This written evidence is structured around the 6 themes that the Committee have indicated they will be considering:

1. Whether preparation, forecasting, warning, and alert systems were adequate.
2. The resilience of infrastructure such as water and sewerage systems, electricity distribution infrastructure, and transport networks to storm impacts, including flooding landslips, culvert damage and sinkhole formation.
3. The impact on communities, and the role of landowners, community groups, and third sector organisations.
4. The response of public and private authorities.
5. Whether relevant organisations have learnt lessons following previous winter storms, particularly Storm Dennis in 2020, and how these lessons inform the current approach.
6. Using the case studies of Storms Bert and Daragh to gain an overarching view of the current storm preparation and response framework in Wales, and identifying any gaps.

## Background

Storms Bert (23-24 November 2024) and Darragh (7-8 December 2024) brought significant impacts to many parts of Wales. The consequences of flooding are truly devastating, not just the physical harm to people and property, but also the impacts on livelihoods, jobs, communities and on the environment around us. The effects can be long lasting too: it can be months, even years, before flooded properties can be inhabited again, and the effects on mental health can be deep-seated and long-lasting. Our thoughts and sympathies go out to everyone impacted during flooding, in this case particularly those impacted by Storms Bert and Darragh.

The risk from flooding affects many communities, and is increasing, and the nature of storms is changing. 273,000 properties in Wales, or 1 in 7, are at risk of flooding. Climate change impacts means that this figure is forecast to rise to 350,000 (a 28% increase) by 2120 – and this is before any new properties are built.

The causes of flooding are not down to a single source, and the powers for managing flooding rest with a range of Risk Management Authorities. NRW has a role for the strategic oversight of flood risk management in Wales, which means having a national understanding of the flood risks. This is important because of the multiple sources of flood risk, and the policy of Welsh Government to prioritise on a national level and on the basis of risk to life. NRW also has discretionary powers to manage flooding from main rivers, reservoirs and the sea. Powers for flooding from surface water and smaller watercourses rest with Lead Local Flood Authorities (LLFAs) – in Wales, these are the Local Authorities (LAs). Water companies have responsibilities for drainage and surface water arising from their assets. The cause of flooding is often from more than one source and so it is important that all partners, including NRW, LAs, Welsh Government departments, Water Companies and communities themselves, work together to tackle the issues.

NRW works within its budget and resources to make interventions to reduce the impacts of flooding. With more frequent and severe extreme weather events occurring, this work is becoming increasingly challenging. We are directed by Welsh Government to prioritise on a national all-Wales basis, and our investment decisions are taken in line with Treasury rules. This is important as local flood risk priorities, whilst clearly important locally, may not be a national priority.

We undertake a range of activities to reduce the impacts of flooding. This includes advising on planning applications and proposals in flood risk areas, mapping and modelling flood risk, building and maintaining defences, and warning and informing where and when flooding is expected.

We have a Ministerial Direction to operate a flood warning service. This covers flooding from main rivers and the sea, which aligns with NRW's powers for these flood sources. Not all of Wales, and not all the areas at flood risk, are covered by the flood warning

service. There are remote and isolated areas at flood risk, and due to technical or prioritisation and cost reasons we are not able to operate a service in these locations. And even where a flood warning service is provided, take up levels are not always where we want them to be.

There are 89 sea flooding locations and 112 river flooding locations covered by a flood warning service in Wales. For many (but not all) of these areas, warnings are based on forecast models of our rivers. We do not have forecast models for all locations though, again this is a function of technical viability, resources, costs and priorities. In locations not served by forecast models, we rely on observed data and historic records to predict what is likely to happen. All types of warning, whether forecast or not, require specialist human technical expertise and experience.

Flood warnings are issued via our website, and direct to anyone who signs up to the free service should it be available in their area.

## On the areas of focus for the Committee

### 1. Whether forecasting, warning, and alert systems were adequate

The Met Office, Flood Forecasting Centre (FFC) and NRW work closely together to forecast and warn for flooding. The Met Office forecast the weather and rainfall totals, distribution and duration. Weather forecasting is a complex science – forecasts change and there is inherent uncertainty. This uncertainty is particularly present the further out the forecast is made. The Met Office use the best science, computing and expert staff available to forecast and issue weather warnings to the public via their various outlets (e.g. web services and media broadcasts).

The FFC is a joint enterprise between the Met Office, the Environment Agency (in England) and NRW (in Wales). The FFC takes the weather forecast from the Met Office and assesses what this is likely to mean for flooding, on a county/Local Authority level scale. NRW works alongside the FFC to produce the daily Flood Guidance Statement (FGS), with a 5-day forecast window (i.e. it provides information for the next 5 days). This information is in the form of forecast *Likelihood* and *Impact* of flooding.

The 5-day FGS is shared with Civil Contingencies Act partner organisations (e.g. Local Authorities and emergency services) to enable preparations for flood events. A simplified version of the 5-day flood risk forecast is available to the public on NRW's website.

NRW takes the information from the Met Office and FFC and combines that with observed data from our network of river and rain gauges, to forecast flooding. In many locations (but not all), there are forecast models, which process the input data and

forecast what is likely to happen. As there will always be variability (that is, a range of possible outcomes) in the forecast rainfall and in the river response, then there will be a range of probabilities as to whether a location will flood or not, and when it is likely to happen; it is not a definitive (yes or no) science. The expertise of professional weather experts and flood warning staff are also a vital part of the chain that produces warning information.

Regarding Storm Bert, the Met Office were signalling significant forecast rainfall in their weather forecasts 5 days out. On Wednesday 20 November the Met Office issued a yellow weather warning for rain across south Wales, which was extended on the morning of Friday 22 November to cover more of northwest Wales and Anglesey. Met Office named the event as Storm Bert on the Thursday, 21 November. The FGS mirrored the weather warnings, signalling low likelihood of significant impacts from 5 days out (from the Wednesday 20 November). The low likelihood reflected the uncertainty in the forecast tracking and intensity but the significant impact potential was due to rainfall totals (up to 150mm possible in some places). This information was available to all partner agencies to assist them in their planning.

Throughout the period, as during any wet weather, NRW was taking the latest forecast rainfall data and running it through our forecasting models to assess the forecast (future) flood risk. We issued 65 Flood Alerts in the lead up to the storm event to warn residents that flooding was possible. We issued 68 Flood Warnings and 2 Severe Flood Warnings closer to the events when there was more certainty in the forecasts and locations. There was also extensive media messaging and coverage during the period.

Steep sided valley catchments like the south Wales Valleys, because of their very topography, respond very rapidly to heavy downpours. What we experienced in Storm Bert was very heavy rainfall that was very hard to forecast exactly where it was going to hit. The Taff catchment rivers responded incredibly quickly to the rainfall, giving short lead time for warnings to be issued. These extreme rainfall events and uncertainty on amounts and locations are a feature of climate change, and we are having to deal with these situations more and more often. The short lead time from rain falling to rivers rising and impacts happening, and the uncertainties, are all pushing the boundaries of forecasting and the human abilities to respond. We can issue more warnings on lower thresholds and confidence, but there would be many more false alarms if we call it too early based on low confidence data, and the forecast events do not materialise. There is a real risk of 'crying wolf' such that the public and partners think that impacts won't happen, at the times when we are forecasting with more confidence, that they will.

It is also vitally important that individuals and communities know what the different types of flood warnings mean, how to access them, and what to do if a Flood Alert, Flood Warning or Severe Flood Warning is issued. There is a lot of information on our website on all these aspects.

In summary then, the forecasting warning and alerting systems in themselves worked well during these storms, but we are operating in very challenging times, with a shifting climate and more frequent and extreme weather events, and with uncertainties that sometimes results in shorter lead times. Investment in continuous improvements to systems, and in human expertise, is clearly needed if we are to keep pace with the changing climate and the increased risks.

## 2. The resilience of infrastructure to storm-related impacts, including water and sewerage systems, electricity distribution infrastructure, and transport networks?

Flooding is one of the top civil contingency risks in Wales, and as well as residential properties, there is inevitably a lot of infrastructure at risk. Our modelling information shows that there are 4,385 key services at risk of flooding across Wales. This includes services such as schools, hospitals, emergency services bases, railways stations and utilities.

As directed by the Welsh Government policy, NRW prioritises primarily based on risk to life and risk to residential properties, as typically the greatest risk to life occurs in a flood situation when people are in their homes. There is definitely a need though, across a range of public and private sector bodies, to continue to address the impacts on infrastructure from the ever increasing risks. Co-ordination and co-operation between authorities takes place, including through the Local Resilience Forum structures. Infrastructure providers need to continue to take responsibility for the risks of flooding to their assets.

During Storm Bert more than 700 homes across Wales experienced flooding. A landslip occurred at Cwmtillery, Blaenau Gwent, with a disused coal tip partially collapsing, forcing the evacuation of around 40 homes due to rock and mud flowing onto residential streets. In addition, a large sinkhole opened on a residential street in Merthyr Tydfil after an underground culvert was damaged by boulders.

However, flooding impacts stretch much further than residential properties, with people, their livelihoods and businesses all affected, causing a significant knock-on effect to the economy in Wales.

As a result of Storm Bert, flooding and infrastructure damage led to widespread disruption of railways, including the closure of the Heart of Wales and Marches lines. Many roads were also closed due to flooding and landslides, including the A479 in Powys and the A4042 in Monmouthshire.

Public services including education were also impacted by both Storm Bert and Storm Darragh with schools across Wales being forced to close.

The destructive winds caused by Storm Darragh significantly damaged power infrastructure with more than 259,000 homes without power at the peak of electricity network disruption.

As a result of the storms, the Welsh Government Woodland Estate (which NRW manages on behalf of Welsh Government) experienced significant damage with hundreds of thousands of cubic meters of timber on the ground. The clear-up process is of course time consuming and costly, with an increased need to replant trees over 2-5 years, stretching the resources and funds available for this work. Our Land Management Teams worked closely in the aftermath of the storms with partner agencies to conduct welfare checks on residents living on the NRW woodland estate, as well as to clear roads so that critical infrastructure remained accessible.

### **3. The impact on communities, and the response role of community and third sector organisations**

The impact on communities from flooding can be devastating and long-lasting, particularly if they have previously been affected by flooding. If property, belongings or vehicles have been damaged, navigating an insurance claim can be hugely stressful, especially for residents who have been displaced from their homes. Concern about future insurability of homes also adds to uncertainty. Taken together all these issues have the potential to significantly impact livelihoods and mental health.

There will always be properties in Wales at risk from flooding, so it is vital that communities are prepared as best they can be, ahead of time. That is why we encourage local communities to develop their own community flood plans so that they are aware of flood risk in their area and have planned what they will do in the event of flood to reduce harm to themselves and their property. Resources are available on our website to assist communities with this work. NRW works with third sector organisations such as the National Flood Forum, British Red Cross and the Wales Council for Voluntary Action, who themselves provide guidance for community flood groups, offer courses and help with access to funding.

We must be realistic about the risk of flooding on local communities and in doing so empower local people to play their part in preparations for flood events to ensure that the impact on people and property is as limited as is possible. NRW has lots of useful information available to the public, in addition to community flood plan templates, on our website which can help households in preparing for flooding. One key aspect is advocating that households sign up to receive Flood Alerts and Flood Warnings via the free Flood Warning Service so that they are alerted that flooding is expected and can take action to protect themselves and their property. Sign up levels in many parts of

Wales are not as high as we would want them to be, and education and awareness about these resources is important.

There is also live river and sea level information on our website, and we receive lots of feedback that this is a very useful resource for many communities. In high flood risk areas, householders may wish to consider property level protection to minimise the future flood damage, but of course this may not be financially feasible for many residents. Properties should not be built in high risk areas, but where there are in flood risk locations, they should be made as flood resistant as possible by the developers.

#### 4. The response of public and private authorities

Storms Bert and Darragh posed significant challenges both individually but also collectively as they hit within in the space of two weeks, bringing flooding, landslides and wind damage. All agencies involved in flooding performed well but were clearly stretched by the events.

Within the collective efforts from a range of organisations, NRW staff worked tirelessly throughout this period, using their skills and experience to professionally respond to events. Our staff worked to track forecasts, issue warnings, ensure flood hydrometry assets were operating properly, fix repairs, post up to date information on our website and social media pages, handle media interviews and queries and support other incident responder organisations including Local Authorities, emergency services and utility companies.

The arrival of Storm Darragh only two weeks after Storm Bert brought destructive 90mph winds leading the Met Office to issue a rare red warning for wind and the UK Governments to issue an emergency alert by phone to those in affected areas. While rainfall totals were not as high as those experienced during Storm Bert, further heavy rain on already saturated ground meant rivers levels could rise quickly and posed a threat.

NRW's forests and trails were closed to visitors and the public messages included to stay away from seafronts and promenades due to the likelihood of large, powerful waves.

NRW staff worked tirelessly in the days and weeks following to inspect assets and make repairs. On the flood risk side, our staff continue today to deal with a log of complaints and queries from the event, attend many public meetings and requests from elected members to understand the issues in their communities, and to inspect and maintain the assets that were tested during the storms. Work also continues on the damages experienced in forests and nature reserves across Wales, with widespread areas of

trees felled and many kilometres of forest roads, walking trails and mountain bike routes obstructed by debris. Recovery takes a considerable amount of time, and effort.

NRW clearly took a lot of actions to make sure our operational duties were maintained, and public were informed of the risks. It is also vitally important that all partners work together to manage the risks. The Local Resilience Forums, where key partners come together to planning for and response to flooding and other emergencies, are a key part of the picture.

#### **5. Whether relevant organisations have learnt lessons following previous winter storms, particularly Storm Dennis in 2020, and how these lessons inform the current approach**

It is clear that we operate in very challenging times. In 2024, according to the Met Office, the UK saw records broken in almost every season, plenty of named storms and an abundance of weather warnings – the year included the UK’s 8th wettest winter and 6th wettest spring on record. Met Office analysis conducted for the period October 2023 – October 2024 showed that there was 20% more rainfall, and that rainfall was 15% more intense due to climate change, and with 2024 the first calendar year exceeding the Paris Agreement target of 1.5°C, it is safe to assume that these extreme pressures on our natural world will continue.

The climate science says that floods are going to happen more frequently in future. They are also often going to be more widespread and more severe in their nature. More people and properties will be at risk of flooding. Flooding is a complex, natural process for which there is no one single solution. As such, we need to continually adapt and improve our thinking and our practices. This is very challenging though, particularly given the rate of climate change and the current economic climate and where there are competing demands on public sector priorities and resources.

A range of key partners need to work together to tackle the issues such as Local Authorities, Water Companies and Welsh Government departments as well as from communities themselves. It is vital that we plan for and invest in range of tools and techniques, as we and society respond to the rapidly changing climate and the impacts it will bring.

Following every significant flood and storm event, we carry out a review to ensure that we can learn any lessons from the experience and use those learnings to make improvements. We are in the processing of doing that with the learning from Storms Bert and Darragh.

After Storm Dennis in February 2020, we undertook an extensive review of our response and published the findings and recommendations on our website in October 2020. We

implemented a programme approach to ensuring recommendations were followed up on, and improvements delivered. We made significant improvements in our procedures and in our guidance, to ensure there is even greater clarity and prioritisation on what duty officers do during flood and other incidents. We made improvements to our website so that it could cope with greater traffic and improved the resilience of our incident rotas so that we now have more staff to call on during incidents. In July 2024, we implemented our new Flood Warning Information System for Wales, a considerable capital investment of £5m, which makes the issuing of warnings a quicker and more resilient process. We are also in the process of replacing our telemetry systems, with a £5m project on this running to expected completion in June 2025. We also made improvements to the tools and equipment used by our staff during incidents e.g. mobile phones and vehicles. We have also continued with our capital investment programmes, which has delivered new or enhanced flood defences schemes across communities in Wales.

We operate in challenging times though, and the scale and pace of climate change is challenging all organisations. As well as the climate emergency, the nature emergency is also a clear and pressing issue. Policies, investment and adaptation actions need to keep pace with the growing risks. There is no one solution that will fix it all and a range of interventions is needed. We can and must work towards building greater resilience to the impacts from the climate and nature emergencies.

## **6. Using the case studies of Storms Bert and Daragh to gain an overarching view of the current storm preparation and response framework in Wales and identifying any gaps.**

Storms Bert and Darragh brought significant impacts to many parts of Wales, with many affected in what were multi-hazard storms. We will get similar, and unfortunately worse, storms in the future. They will be not unprecedented or once in a generation storms, they will be the new norm. We ignore or downplay the risks at our peril.

The systems of flood risk management in Wales and in the UK are amongst the best in the world, but we cannot be complacent for a moment. There is a need for continuous improvement and innovation in all areas. We must learn from all flooding events, and make improvements, and we need to test and stretch our thinking to prepare for even worse events on the future.

There is no one single answer to the risks posed by flooding, it will take implementation of the full range of interventions to manage and lower the risks. It requires strong land use strategic planning, management of whole water catchments, advances in forecasting and warning capabilities, skilled workforce, properties built that are flood resilient, communities that are engaged with managing the issues - and a whole lot more. It will also clearly need partners to continue to work together.

We cannot stop the weather, and we cannot stop all floods, but we can take actions to lower the impacts and create resilience to flooding. This will take significant investment and time, but studies show the investment needed is lower than the damages that would be incurred if we don't act.

In our view, it is not so much a case of there being significant gaps in our preparation and response framework, but more a case of the need for continuous and impactful improvement and innovation, and at pace.

Huw Irranca-Davies AS/MS  
Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros  
Newid Hinsawdd a Materion Gwledig  
Deputy First Minister and Cabinet Secretary for Climate  
Change and Rural Affairs

Ein cyf/Our ref: MA/HIDCC/0196/25

Llŷr Gruffydd MS  
Chair  
Climate Change, Environment, and Infrastructure Committee  
Welsh Parliament  
Cardiff Bay  
Cardiff  
CF99 1SN

3 March 2025

Dear Llŷr

Thank you for the Climate Change, Environment and Infrastructure Committee report on Halting and Reversing the Loss of Nature by 2030 which was published on 20 January 2025.

Please find enclosed our detailed response to the Committee's recommendations.

Yours sincerely,



**Huw Irranca-Davies AS/MS**

Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros Newid Hinsawdd  
a Materion Gwledig  
Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1SN

[Gohebiaeth.Huw.Irranca-Davies@llyw.cymru](mailto:Gohebiaeth.Huw.Irranca-Davies@llyw.cymru)  
[Correspondence.Huw.Irranca-Davies@gov.wales](mailto:Correspondence.Huw.Irranca-Davies@gov.wales)

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.



# Welsh Government Response to the CCEI Report Recommendations: Halting and Reversing the Loss of Nature

3/03/2025

The Welsh Government would like to thank the members of the Climate Change, Environment and Infrastructure Committee and all those who provided evidence for their interest in this critical area. The Welsh Government remains steadfast in its commitment to addressing the nature emergency, acknowledging the necessity to enhance both the scale and pace of delivery to halt and reverse the loss of nature. The report's acknowledgment that tackling nature loss requires collective action across Wales, not solely from the Government, is also welcomed.

# Contents

<b>1. Introduction</b>	<b>4</b>
<b>2. The Recommendations</b>	<b>5</b>
2.1 Recommendation 1	5
2.2 Recommendation 2	5
2.3 Recommendation 3	6
2.4 Recommendation 4	6
2.5 Recommendation 5	7
2.6 Recommendation 6	7
2.7 Recommendation 7	8
2.8 Recommendation 8	8
2.9 Recommendation 9	9
2.10 Recommendation 10	9
2.11 Recommendation 11	10
2.12 Recommendation 12	11
2.13 Recommendation 13	11
2.14 Recommendation 14	12
2.15 Recommendation 15	13
2.16 Recommendation 16	14
2.17 Recommendation 17	14
2.18 Recommendation 18	15
2.19 Recommendation 19	15
2.20 Recommendation 20	15
2.21 Recommendation 21	16
2.22 Recommendation 22	17
2.23 Recommendation 23	17
2.24 Recommendation 24	18
2.25 Recommendation 25	18
2.27 Recommendation 27	19
2.28 Recommendation 28	19
2.29 Recommendation 29	20
2.30 Recommendation 30	20



# 1. Introduction

With one in six species at risk of extinction in Wales, restoring and strengthening our connection to nature has never been more crucial. Our Programme for Government commits us to embedding our response to the nature and climate emergency in everything we do. Restoring nature means revitalising the places we live and enjoy, creating green jobs, supporting local and rural economies, and underpinning sectors like food production and tourism. In this Senedd term alone, the Welsh Government has invested over £150m to restore nature and improve access to it on people's doorsteps. These efforts not only enhance our resilience to climate change but also ensure a thriving natural environment for future generations.

The Welsh Government has created more than 4,000 green spaces, 790 community food growing sites, 670 community orchards, and 80 therapeutic sensory gardens through the Local Places for Nature initiative. More than £54m has been invested in the Nature Networks Programme to improve protected sites and connect people to nature. The National Forest has expanded to include more than 100 sites, creating a network of well-managed woodlands across Wales. The Woodland Investment Grant and the Coetiroedd Bach schemes have awarded over £8m to 56 projects, improving woodlands in various regions.

Natural Resources Wales (NRW) has received an additional £40m to improve water quality and restore rivers. The Habitat Wales Scheme has supported farmers in maintaining and enhancing habitats on their land, with £16m allocated in 2024. The National Peatland Action Programme has restored over 3,000 rugby pitches worth of peat, safeguarding 1.6m tonnes of carbon and reducing carbon emissions. The National Seagrass Action Plan aims to recover 266 hectares of seagrass by 2030. Wales is also leading the way in tackling marine litter by introducing a recycling scheme for fishing gear, collecting 12 tonnes of gear and reducing plastic pollution in our seas.

These comprehensive efforts demonstrate our commitment to restoring nature and ensuring a sustainable future for Wales.

---

## 2. The Recommendations

### 2.1 Recommendation 1.

The Committee recommends: The Welsh Government should use the environmental principles, governance, and biodiversity targets Bill to amend section 3 of the Environment (Wales) Act 2016 to ensure the Sustainable Management of Natural Resources objective includes an explicit reference to biodiversity restoration.

**Response: Reject**

The intended effect of the sustainable management of natural resources objective is to support the management of natural resources so as to maintain and enhance the capacity of ecosystems to maintain their own supporting systems, whilst being able to continue to deliver social, environmental and economic benefits not only in the short-term but for the long-term. The objective is to ensure that in managing natural resources the long-term resilience of ecosystems and the benefits they provide are fully considered which will support biodiversity restoration.

Maintaining and enhancing the diversity of biological organisms is a key component of the sustainable management of natural resources. Both the Sustainable Management of Natural Resources (SMNR) goals and the Section 6 Environment (Wales) Act 2016 duty aim to maintain and enhance biodiversity and promote ecosystem resilience. They provide a unified framework for sustainable environmental management.

The Section 6 duty means that biodiversity considerations should be integrated into broader policy areas, aligning with the SMNR's holistic approach to managing natural resources. The Welsh Government do not consider an explicit reference to biodiversity restoration is required in section 3 of the Environment (Wales) Act 2016.

**Financial Implications:** None.

### 2.2 Recommendation 2.

The Committee recommends: The Welsh Government should use the forthcoming Bill on environmental principles, governance, and biodiversity targets to amend section 9(6) of the Environment (Wales) Act 2016 to require the Welsh Ministers to review the Natural Resources Policy no later than 12 months after each general election.

**Response: Reject**

Under section 9(6) of the Environment (Wales) Act 2016 the Welsh Ministers must review the Natural Resources Policy (NRP) after each Senedd general election, or at any other time, the Welsh Ministers may at any time revise the NRP and must publish the NRP as revised.

The Welsh Government considers a 12-month period insufficient for the review. It is essential to account for changes following a Senedd election, including a new

Programme for Government, the latest Future Trends Report, and the latest State of Natural Resources Report for Wales, among other factors.

Financial Implications: None.

### 2.3 Recommendation 3.

The Committee recommends: The Welsh Government should:

- explain the reason for the delay in completing the review of the Natural Resources Policy (NRP);
- commit to completing a review of the NRP within six months of the publication of the Committee's report; and
- ensure the NRP is capable of driving action for nature across the whole of government, with integrated policies that align with the Global Biodiversity Framework 2030 targets and wider goals.

#### **Response: Accept**

The Welsh Government, following the 2021 Senedd general election, decided to postpone the review of the Natural Resources Policy (NRP). This decision was made to allow the Welsh Government to focus on delivering Programme for Government commitments including four Senedd Bills / Acts and a range of actions which would lead to positive impact on natural resources.

The current NRP is undergoing review, with the process expected to be completed by summer 2025.

The NRP adopts a comprehensive government-wide approach to sustainably managing our natural resources. By aligning integrated policies with the Global Biodiversity Framework 2030 targets, as well as broader environmental objectives and legal requirements, we aim to maximise the delivery of diverse and far-reaching outcomes.

**Financial Implications:** The review of the NRP will primarily incur costs related to staff time, evidence gathering, engagement, and communications. These costs will be drawn from allocated programme budgets.

### 2.4 Recommendation 4

The Committee recommends: The Welsh Government working in conjunction with Natural Resources Wales should review the effectiveness of implementation of Area Statements. The review should consider:

- whether and how Area Statements are being used to facilitate delivery of the Natural Resources Policy, and
- seek to identify any potential barriers to effective implementation and how these can be addressed. The Welsh Government should share its findings with the Committee within six months of the publication of this report.

**Response: Accept**

The Welsh Government will work with Natural Resources Wales (NRW) to review the effectiveness of Area Statements, taking into account the Committee's recommendations. While this review cannot be completed within the current Senedd term, we will provide further details on the progress of this work within the next six months.

**Financial Implications:** Any additional costs will be drawn from allocated programme budgets.

## **2.5 Recommendation 5.**

The Committee recommends: The Welsh Government should publish the findings of the OB3 Research's evaluation of the implementation of the section 6 duty and explain what action it has taken in response to those findings.

**Response: Accept**

The Welsh Government will publish the findings of OB3 Research's evaluation of the implementation of the section 6 duty, alongside an outline of our response to their recommendations.

**Financial Implications:** None

## **2.6 Recommendation 6.**

The Committee recommends: The Welsh Government should:

- update the section 6 duty guidance for public authorities to ensure it adequately reflects the step change required to meet global and domestic biodiversity commitments, and
- set out an expectation for public authorities to review their biodiversity action plans in light of the updated guidance.

**Response: Accept**

The Welsh Government will review and update the Section 6 guidance to align with the proposed Environment (Governance, Principles and Biodiversity Targets) (Wales) Bill. In addition to incorporating guidance for targets, which will be set in secondary legislation after the Bill becomes law (subject to the will of the Senedd), other aspects of the guidance will be reviewed and updated, as necessary.

The revised guidance will include a statement advising public authorities to consider revised guidance when reviewing their biodiversity action plans.

**Financial Implications:** None

## 2.7 Recommendation 7.

The Committee recommends: The Welsh Government should use the Environmental Principles, Governance, and Biodiversity targets Bill to amend section 6 of the Environment (Wales) Act 2016 to strengthen oversight and accountability arrangements.

### Response: Reject

The Environment (Governance, Principles and Biodiversity Targets) (Wales) Bill will establish a governance body to oversee the effectiveness and compliance of environmental law (which will include section 6 of the Environment (Wales) Act 2016) in relation to Wales.

**Financial Implications:** The Regulatory Impact Assessment (RIA) for the Bill will scope out the costs associated with establishing the new environmental governance body for Wales.

## 2.8 Recommendation 8.

The Committee recommends: The Welsh Government should:

- explain the reason for the delay in publishing a revised Nature Recovery Action Plan (NRAP);
- commit to publishing a revised NRAP within six months of the publication of the Committee's report; and
- ensure the revised NRAP is clear, ambitious, detailed and aligns with the Global Biodiversity Framework 2030 targets and wider goals.

### Response: Agree in Principle

Given the tight legislative timescale for bringing forward the Environment (Governance, Principles and Biodiversity Targets) (Wales) Bill and its associated elements, officials' time has been prioritised to meet this critical deadline.

Despite resource and capacity constraints, the Welsh Government has continued to collaborate across the UK to develop the UK National Biodiversity Strategy which was published on the 26 February 2025. [National Biodiversity Strategy and Action Plan. | United Kingdom Biodiversity](#). This strategy reflects the consensus among the four UK countries that achieving full implementation of the Global Biodiversity Framework (GBF) requires both individual and collective efforts. It outlines 23 ambitious UK targets that align with the 23 GBF targets.

The Welsh Government will outline the necessary actions in Wales to achieve the goals of the Global Biodiversity Framework through a revised Nature Recovery Action Plan (NRAP). Emphasising the importance of a collaborative approach, we will engage with stakeholders to determine the best delivery methods. Our goal is to launch the plan at the Wales Biodiversity Conference in October 2025, where the theme will be "Taking Collective Action for Nature".

**Financial Implications:** Any financial resources required for this work will be accommodated within allocated budgets.

## **2.9 Recommendation 9.**

The Committee recommends: The Welsh Government's revised NRAP should be costed to support strategic public investment in nature, enhance transparency and support scrutiny. If the Welsh Government is unwilling to do this, it should at the very least ensure the revised NRAP includes costed strategic short-term actions.

**Response: Agree in principle**

The Welsh Government recognises the budgetary constraints and the need to prioritise actions within the revised Nature Recovery Action Plan (NRAP) to achieve the best outcomes for nature. Where appropriate, actions will be costed and reviewed as part of the implementation process.

**Financial Implications:** None.

## **2.10 Recommendation 10.**

The Committee recommends: The Welsh Government should commit to including a 'headline target' in the forthcoming Bill, aligned with the Global Biodiversity Framework commitment to halt and reverse the loss of nature by 2030 and achieve recovery by 2050.

**Response: Reject**

The Welsh Government has considered a wide range of advice on a headline target and has concluded that it would not be appropriate to include one. Any targets introduced in legislation will need to meet the SMART criteria (Specific, Measurable, Achievable, Realistic, Timebound). Some respondents to the White Paper consultation raised concerns that the proposed headline target would be unenforceable and unachievable. Additionally, there are issues such as the ability to measure progress against the headline target, definitions, and potential duplication with existing legislation and milestones for example the Well-being of Future Generations Act National Milestone 44.

Instead, our approach will focus on setting SMART targets in subordinate legislation, each with a specific achievement date, to ensure the ambition is appropriate for each target area. This method aims to drive urgent action to address the nature crisis effectively.

**Financial Implications:** None

## 2.11 Recommendation 11.

The Committee recommends: The Welsh Government should provide details of the work it has undertaken since March 2023 to “scope appropriate targets”. This should include details of any expert advice sought and any stakeholder engagement.

### **Response: Accept**

In June 2023 the legislative statement contained a commitment to introduce statutory biodiversity targets.

A White Paper consultation followed inviting views on the proposals for developing targets. The White Paper's biodiversity target proposals received support, focusing on species, habitat, and ecosystem health. There was also a call for targets to address the pressures and drivers of biodiversity loss.

Recognising the interconnected nature of the 23 Global Biodiversity Framework (GBF) targets, officials have undertaken extensive stakeholder engagement through a series of workshops to look at prioritising the most important, viable, and measurable ones for Wales, given the available timeframe and resources.

A Biodiversity Target Advisory Panel has been established to enhance transparency and rigour in creating statutory biodiversity targets in Wales. Stakeholder engagement is a key focus, with the Panel comprising experts from various disciplines, including water, economy, education, and social research, as well as terrestrial, freshwater, and marine biodiversity. This diverse membership ensures comprehensive input and collaboration in developing effective biodiversity targets.

We are building the evidence base for biodiversity target development by reviewing processes in England and Scotland and how temperate countries' targets align with the Global Biodiversity Framework (GBF). This includes examining decision-making processes, challenges, and plans for countries without national targets.

Current efforts focus on the national evidence base for shortlisted target areas, collaborating with Defra and the Joint Nature Conservation Committee (JNCC) for species abundance targets, and using Natural Resources Wales' (NRW) DECCA (Diversity, Extent, Condition, Connectivity and other Aspects of ecosystem resilience) which sets the framework to assess ecosystem resilience.

Developing indicators for biodiversity targets is crucial. Policy officials are collaborating with the JNCC and NRW to identify suitable indicators, aiming to use existing datasets and monitoring programs efficiently. A commissioned programme with JNCC, includes four work packages: identifying current indicators, consolidating UK frameworks, identifying gaps, and creating an indicator development plan. Once priority targets and evidence gathering are complete, scenario models will be developed to determine the appropriate level of ambition.

**Financial Implications:** Any additional costs will be drawn from allocated programme budgets.

## 2.12 Recommendation 12.

The Committee recommends: The Welsh Government should explain why it will have taken 6 years to develop targets in Wales and whether that is acceptable, given that addressing biodiversity loss is a priority of the Welsh Government.

### Response: Accept in principle

From the start of this Senedd, the Welsh Government, working with a range of stakeholders, has undertaken extensive preparatory work to support not just target development but the practical steps needed to restore nature. Through the Biodiversity Deep Dive and other expert groups, we have developed an understanding the scale of the challenge, assess what was achievable within available evidence, identifying gaps for example in relation to monitoring, modelling, indicators.

The Kunming-Montral Global Biodiversity framework was agreed in December 2022 during the 15 meetings of the Conference of Parties (COP 15) to the Convention on Biological Diversity.

Following that international agreement being reached, detailed work is underway to assess which targets were needed to address biodiversity loss in Wales. The Welsh Government committed to introducing statutory targets in the legislative statement in June 2023. A dedicated team has been put in place to develop the legal framework to deliver targets.

Alongside the target development process, we have continued delivering action on the ground to restore nature, through the Nature Networks Programme, National Peatlands Action Programme, Local Places for Nature and Natur am Byth.

**Financial Implications:** Any additional costs will be drawn from allocated programme budgets.

## 2.13 Recommendation 13.

The Committee recommends: In light of the significant delay to the development of targets and given that this is a priority of the Welsh Government, the Welsh Government should undertake an urgent review of the resources allocated to departments dealing with this policy area with a view to satisfying itself that these are sufficient. It should report back to the Committee on the findings of the review within 3 months of the publication of this report.

### Reject

Staffing is a matter for the Permanent Secretary, Dr Andrew Goodall, working within the budget allocated by Ministers and in line with their priorities.

**Financial Implications:** None

## 2.14 Recommendation 14.

The Committee recommends: The Welsh Government should:

- immediately begin a programme of stakeholder engagement with a view to determining which biodiversity targets should be prioritised for development,

### Response: Accept

The Welsh Government initiated a prioritisation exercise in the autumn, involving extensive stakeholder engagement with over 70 organisations. These included academics, Natural Resources Wales, environmental NGOs, public authorities, the Future Generations Commissioner, and stakeholders in forestry, land management and agricultural representatives.

### Additional information

The following table details the sessions undertaken.

Group	Date
Emerging Threats to Freshwater Expert Group	5 November 2024
Pollinators Taskforce	19 November 2024
Section 6 Biodiversity Working Group	21 November 2024
Local Nature Partnerships Cymru	4 December 2024
Marine Biodiversity Expert Group	13 January and 24 January 2025
Forestry Stakeholders	15 January 2025
Natural Resources Wales	23 January 2025
Future Generations Commissioner	3 February 2025
Land Management and Agriculture Stakeholders	6 February 2025

- make provision in the Bill for these 'priority targets' to be set in regulations no later than 12 months following the Act's Royal Assent, and

### Response: Reject

The Welsh Government is considering the timeframe in which targets can be set. Target development involves several key steps, including policy development, indicator development, scenario modelling, stakeholder engagement, subordinate legislation

development, consultation, and procedural steps in the Senedd. Officials have already begun working on the policy development needed in advance of target development, alongside the development of the primary legislation. However, it is important to note that target development will take at least a year, followed by additional time for the legislative timeline. The timeline also needs to consider the Senedd elections in May 2026.

- make provision in the Bill for the remaining suite of targets to be set in regulations no later than 3 years following the Act's Royal Assent.

**Response: Reject**

The Welsh Government will not be setting all 23 Global Biodiversity Framework (GBF) targets in Regulations. This has not been proposed for several reasons, including devolved competence, the appropriateness of some targets for Wales, and existing legislation. For example, target 15 (Businesses Assess, Disclose and Reduce Biodiversity-Related Risks and Negative Impacts), target 22 (Ensure Participation in Decision-Making and Access to Justice and Information Related to Biodiversity for all). Target 17 (Strengthen Biosafety and Distribute the Benefits of Biotechnology) and 23 (Ensure Gender Equality and a Gender-Responsive Approach for Biodiversity Action) will be reported on a UK level.

Further targets may be set under the framework; however, three years is not enough time for an effective evaluation to understand whether the first tranche of targets has been effective. We would not want to set more targets before conducting such an evaluation.

**Financial Implications:** Any additional costs will be drawn from allocated programme budgets.

## **2.15 Recommendation 15.**

The Committee recommends: The Welsh Government should publish the criteria it will use to determine whether an area counts towards the 30 by 30 target. This should make clear that protected sites should be monitored to identify baselines and assess progress, have a management plan in place, and should be in favourable or recovering condition to count towards the target.

**Response: Accept**

The Welsh Government is in the process of finalising the inclusion criteria for areas that will contribute to the 30 by 30 target, as outlined in the Global Biodiversity Framework Target 3. We will collaborate with key stakeholders to agree on these criteria before their publication in the spring.

**Financial Implications:** None.

## 2.16 Recommendation 16.

The Committee recommends: The Welsh Government should deliver on its promise to produce an action plan setting out the actions needed to meet the 30 by 30 target. The action plan should: ▪ incorporate recommendations arising from the Biodiversity Deep Dive and its associated expert working groups, setting out who is responsible for delivering each action, with expected timescales for delivery, and ▪ include key milestones towards meeting the target.

### **Response: Accept**

We will collaborate with the Biodiversity Deep Dive Core Group and other key stakeholders to identify priority actions for the next 12 months. Together, we will redesign our National Biodiversity Strategy and Action Plan assigning responsibilities, setting timescales and outlining key milestones to track progress and will incorporate recommendations from the Deep Dive and associated expert working groups.

**Financial Implications:** Any additional costs will be drawn from allocated programme budgets.

## 2.17 Recommendation 17.

The Committee recommends: The Welsh Government should engage a wide range of stakeholders in the production of the 30 by 30 action plan to help foster the 'Team Wales' approach needed to meet the target and deliver on wider global and domestic biodiversity commitments.

### **Response: Accept**

The Welsh Government recognises that addressing the nature crisis requires a comprehensive response from both the government and society as a whole.

We will continue to engage with a diverse array of stakeholders to agree on the actions needed to support the delivery of the 30 by 30 target. We acknowledge the need for collective action to achieve this target with the necessary pace and impact.

The Core Group, consisting of experts from various sectors who provide essential advice and guidance on the 30 by 30 target. We will review the membership and remit of the expert group as needed to include individuals with the knowledge, skills, and practical expertise necessary for delivering on-the-ground actions.

Through engagement with Wales Environment Link (WEL) and key stakeholders such as RSPB Cymru, Wildlife Trusts Wales, and the Nature Friendly Farming Network, we will continue to request essential evidence and briefings to support the implementation of the 30 by 30 target.

Regarding marine resilience and conservation, we will continue to work closely with CaSP Cymru (Wales Coasts and Seas Partnership).

The Welsh Government will further engage with stakeholders at the Wales Biodiversity Partnership Conference in October 2025 as we explore how to 'Take Collective Action for Nature'.

**Financial Implications:** Any financial resources required for this work will be accommodated within allocated budgets.

## **2.18 Recommendation 18.**

The Committee recommends: The Welsh Government should commit to providing the Senedd with regular updates on progress towards the delivery of the 30 by 30 action plan and the 30 by 30 target.

**Response:** Accept

The Welsh Government will continue to regularly update the Senedd on the progress towards the 30 by 30 target, alongside broader actions and initiatives to address the nature emergency.

**Financial Implications:** None.

## **2.19 Recommendation 19.**

The Committee recommends: The Welsh Government should set out the next steps that are being taken in relation to the consultation process and designation of Marine Conservation Zones (MCZs). This should include a timeline for the appointment of a contractor, details of how soon after the appointment of a contractor the consultation will take place, and details about the next steps in the process for designation.

**Response:** Accept

A contractor was successfully appointed in January 2025 to undertake the Regulatory Impact Assessment (RIA). The contract is scheduled to complete in summer 2025.

Following this, the Welsh Government will need to consider the findings alongside the detailed conservation advice provided by the Statutory Nature Conservation Bodies before proceeding to launch a consultation. We will need to carry out the analysis required to ensure the most appropriate proposals are put forward. Subject to agreement by a new Government we hope to consult early in the next Senedd term. a consultation will not occur until after the Senedd elections.

**Financial Implications:** The costs to undertake the Regulatory Impact Assessment are factored into allocated budgets.

## **2.20 Recommendation 20.**

The Committee recommends: The Welsh Government should ensure MCZs, and Marine Protected Areas (MPAs) are supported by robust management frameworks, addressing pressures such as fishing activities, offshore developments, and other human impacts.

**Response:** Agree in principle

The Welsh Marine Protected Area (MPA) network is supported by the MPA Management Framework which governs the MPA Management Grant Scheme. Since 2020, over £500k of grants have been awarded to projects aimed at improving understanding and addressing pressures. A review of this framework will be undertaken in 2025 to ensure it remains fit for purpose.

The Welsh Government has been conducting assessments of various fishing gear types on marine benthic habitats through the Assessing Welsh Fishing Activities (AWFA) programme to better understand potential impacts on our MPA network. This work is entering its final year, and the Welsh Government is already utilizing the assessments to support the development of Fisheries Management Plans.

The UK Government is seeking to accelerate the development of offshore wind, including proposed sites in the Welsh offshore area. Offshore consenting remains a function retained by the Secretary of State. The Welsh Government continues to work closely with UK Government to ensure that any strategic compensation measures delivered through the Marine Recovery Fund are suitable for the Welsh marine environment.

**Financial Implications:** £70,000 to fund the remaining assessments under the AWFA project.

## **2.21 Recommendation 21.**

The Committee recommends: The Welsh Government should commission an evaluation of the sufficiency of the Welsh MPA network for mobile species, including seabirds, and the findings should be reflected in MCZ proposals and marine strategies.

**Response: Reject**

The proposal to designate additional Marine Conservation Zones (MCZs) in Wales is driven by the shortfalls in marine benthic features identified in JNCC's 2016 [report](#). The Welsh Government is committed to delivering this element first to ensure Wales can achieve a well-connected and ecologically coherent network of Marine Protected Areas (MPAs).

An evaluation of the broader MPA network in Wales will be considered for mobile species after the completion of this initial stage. This evaluation will not be included in the current plans for consulting on proposed MCZs.

However, the forthcoming Welsh Seabird Conservation Strategy and UK Cetacean Conservation Strategy could incorporate specific actions identified through a future evaluation of the network.

**Financial Implications:** None.

---

## 2.22 Recommendation 22.

The Committee recommends: The Welsh Government should endorse and publish the National Seagrass Action Plan (NSAP) and provide resources to progress its implementation, in line with the Programme for Government commitments.

### Response: Accept

The Welsh Government has awarded an additional £100,000 of funding to support the development of Seagrass Network Cymru's (SNC) National Seagrass Action Plan (NSAP). This funding will aid in halting seagrass loss and support the recovery of 266 hectares of seagrass by 2030, in line with our 30 by 30 conservation targets.

The funding will enable further development of the governance structure of the National Seagrass Action Plan facilitating the attraction of long term, sustainable funding from a range of sources, including private investment.

The plan exemplifies how Welsh Government funding fosters collaboration by uniting key stakeholders across Wales. Its community focused approach will serve as a blueprint for national implementation, promoting skills development and sustainable green jobs across Wales now and into the future.

The Welsh Government will maintain its engagement with Seagrass Network Cymru (SNC) to support the ongoing development of the Action Plan.

**Financial Implications:** £100,000 has been designated to support the development of Seagrass Network Cymru's (SNC) National Seagrass Action Plan in 2024-25 and 2025-26.

## 2.23 Recommendation 23.

The Committee recommends: The Welsh Government should provide an update on progress towards meeting the Programme for Government commitment to establish a targeted scheme to support restoration of saltmarsh habitats along Wales' coastline.

### Response: Accept

The Welsh Government's Nature Networks Programmes and Marine Protected Areas Grant Scheme fund a range of projects to improve the condition of marine habitats including saltmarsh habitats.

We have awarded nearly £852K of funding to saltmarsh restoration projects through the Nature Networks Programme with NRW overseeing projects at Rhymney Wharf. This scheme uses drones to monitor the structural integrity of the polders and their effectiveness in stabilising and enhancing the saltmarsh and mudflat at the site.

The Welsh Government are actively engaging with delivery partners to further support saltmarsh restoration projects and address priority evidence needs in Wales.

**Financial Implications:** None.

## 2.24 Recommendation 24.

The Committee recommends: The Welsh Government should develop and publish a comprehensive nature finance strategy.

### Response: Accept

Following the consultation on Sustainable Investment Principles which was open from September – December 2024, the Welsh Government will, following analysis of the responses, collaborate to develop a nature finance strategy. Initially, the Welsh Government plans to conduct a series of pilot projects leveraging private investment to refine its approach.

**Financial Implications:** Any financial resources required for this work will be accommodated within allocated budgets.

## 2.25 Recommendation 25.

The Committee recommends: The Welsh Government should assess and set out the scale of investment needed for nature recovery in Wales, incorporating findings from reports such as WEL's "Pathways to 2030".

### Response: Agree in principle

The Welsh Government is developing a new approach to sustainable finance for nature's recovery. This approach is intended to increase and diversify the funding available so that we can effectively tackle the nature emergency and the pressures that drive biodiversity loss – including climate change, pollution, and unsustainable management of natural resources.

Increasing the scale and pace of action to tackle biodiversity loss will require both increasing and diversifying the funding available. This will include funding from the private sector, community-led initiatives and philanthropic giving.

We will shortly publish the summary of responses to the consultation on sustainable investment principles. We will also set out the next steps for addressing the scale of investment needed which will include pilot projects and the development of a nature finance strategy, which will include assessing the scale of investment needed for nature recovery in Wales.

**Financial Implications:** £100,000 has been allocated to scope out this work, pending the final budget settlement.

## 2.26 Recommendation 26.

The Committee recommends: The Welsh Government should ensure the 2025 reviews of the Nature Networks Fund and Local Places for Nature Fund address barriers to effectiveness, focusing on measurable biodiversity gains.

**Response: Accept**

The Welsh Government is committed in 2025 to reviewing the Nature Networks Fund, as part of the evaluation of the Nature Networks Programme (NNP) and concluding the evaluation of the Local Places for Nature Programme (LPfN). These reviews will specifically assess how the schemes, which promote community engagement, have addressed socio-economic barriers and provide insights to identify any remaining challenges in achieving effective biodiversity outcomes.

In parallel, a biodiversity impact assessment is being commissioned to provide evidence of the quantifiable biodiversity impact of the LPfN programme to date. It will also set a benchmark and provide technical guidance for the next phase of the programme.

**Financial Implications:** Any additional costs will be drawn from allocated programme budgets.

## **2.27 Recommendation 27.**

The Committee recommends: The Welsh Government should confirm its plans for the Nature Networks funding programme after it ends in 2025. If the programme is not going to continue, or if the budget allocation is to be reduced, the Cabinet Secretary should provide an analysis of the implications of such decisions.

**Response: Accept**

The Welsh Government has committed to running an additional round of the Nature Networks funding in 2025-2026, extending the programme by a further year. This builds on our commitment to improve the condition and connectivity of our protected sites and make them more resilient to climate change.

**Financial Implications:** Any additional costs will be drawn from allocated programme budgets.

## **2.28 Recommendation 28.**

The Committee recommends: The Welsh Government should ensure the Sustainable Farming Scheme includes clear metrics and a monitoring framework to track progress towards biodiversity recovery targets.

**Response: Accept**

The Welsh Government is committed to monitoring and evaluating the Sustainable Farming Scheme (SFS) with regular progress reports to ensure compliance with the Agriculture (Wales) Act 2023.

**Financial Implications:** Any additional costs will be drawn from allocated programme budgets.

## 2.29 Recommendation 29.

The Committee recommends: The Welsh Government should provide an update on the progress in delivering its commitment, included in the NRAP, to “explore mechanisms to enable private funds to be used to supplement public funds through the Sustainable Farming Scheme”.

### Response: Accept

The Welsh Government recognises the need for additional guidance on integrating private investment, nature markets, and natural capital projects with the Sustainable Farming Scheme (SFS). This will be explored through the development of the Scheme’s collaborative and optional layers, as well as pilot projects leveraging private investment.

**Financial Implications:** None.

## 2.30 Recommendation 30.

The Committee recommends: The Cabinet Secretary should enhance cross-departmental collaboration to integrate nature recovery into broader policy areas, to ensure a whole-government response to the nature emergency.

### Response: Accept

Section 6 of the Environment (Wales) Act 2016 requires Welsh Ministers to maintain and enhance biodiversity in the exercise of their functions and in so doing promote the resilience of ecosystems. The Cabinet Secretary works closely with Cabinet colleagues to ensure that broader policy areas across Welsh Government are integrating nature recovery into their actions. By investing in green infrastructure we are creating a greener public transport system, establishing a National Forest, and revitalising landscapes and outdoor recreation areas. By developing green spaces in urban areas, we are not only enriching biodiversity but also providing recreational areas that enhance community well-being.

Additionally, the Welsh Government is funding initiatives to halt species decline and habitat degradation while delivering a more integrated and sustainable transport network. This includes encouraging the growth of wildflowers and changing mowing practices to benefit pollinators.

In our recently published [Climate Adaptation Strategy for Wales 2024](#), we detail current and future actions to build resilience to climate change across government and various sectors, including nature recovery, agriculture, transport, and health.

**Financial Implications:** Any additional costs will be drawn from allocated programme budgets.

Andrew RT Davies MS  
Chair, Economy, Trade, and Rural Affairs  
Committee

3 March 2025

Dear Andrew

### Holyhead Port Storm Damage and Closure – Committee Inquiry

Thank you for your letter regarding your Committee's forthcoming inquiry into the recent storm damage and temporary closure of Holyhead Port. I recognise both the local and national significance of this issue, particularly given Holyhead's strategic importance for trade, connectivity, and economic activity between Wales, the UK, and Ireland.

I'm afraid the evidence session on 6 March coincides with a meeting of the Climate Change, Environment and Infrastructure Committee, which will be our final opportunity to scrutinise the Cabinet Secretary on the Disused Mine and Quarry Tips (Wales) Bill.

Should there be any further opportunities for the CCEI Committee to contribute, I would be happy to explore how best we can do so.

Yours sincerely,



Llyr Gruffydd MS,  
Chair, Climate Change, Environment and Infrastructure Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg | We welcome correspondence in Welsh or English.

# Agenda Item 4.3

Ysgrifennydd y Cabinet dros Drafnidiaeth a Gogledd Cymru  
Cabinet Secretary for Transport and North Wales



Llywodraeth Cymru  
Welsh Government

Ein cyf/Our ref MA/KSNWT/0389

Elin Jones MS  
Llywydd  
Senedd Cymru  
Cardiff Bay  
Cardiff  
CF99 1SN

Email - [Llywydd@senedd.wales](mailto:Llywydd@senedd.wales)

5 March 2025

Annwyl Elin,

The UK Government introduced their Bus Services (No 2) Bill (the Bill) to the House of Lords, on 17 December 2024. At the same time Wales has been working on the introduction of its own Bus Services (Wales) Bill in the Senedd in March 2025.

My officials have been working with UK Government officials to determine where there may be cross-over and where there may be divergence. The UK bill was introduced at pace with the intention of applying in England only. The initial competency analysis by the UK was that all elements were reserved and no Legislative Consent Memorandum was required.

Up to now I have only received Ministerial correspondence from Simon Lightwood MP, Minister for Local Transport about the Bill's introduction, there has been no other correspondence on specific details.

As the two bills cover many similar areas relating to bus operators, there are other areas of difference and focus, some of which may trigger an LCM. My officials have noted that some measures in the UK Bill do apply or have some effect in regard to Wales. I intend to have discussions with the UK Minister to determine the appropriateness of the effect. Whilst those conversations are ongoing, I will not bring forward an LCM in relation to the provisions which may be disapplied for Wales. I will of course confirm with the Senedd the outcome of those discussions and any amendments made, including through the legislative consent process where relevant. Notwithstanding these discussions, we do expect limited provision to remain in this Bill which will require the Senedd's consent, and I will be bringing forward

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1SN

[Gohebiaeth.Ken.Skates@llyw.cymru](mailto:Gohebiaeth.Ken.Skates@llyw.cymru)  
[Correspondence.Ken.Skates@gov.wales](mailto:Correspondence.Ken.Skates@gov.wales)

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

an LCM on that basis. This is expected to be incidental impact as a result of the nature of cross-border bus services and does not amount to substantive provision for Wales.

I am copying this letter to the Chairs of the Legislation, Justice and Constitution Committee and the Climate Change and Environment and Infrastructure Committee.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ken', enclosed in a thin black rectangular border.

**Ken Skates AS/MS**

Ysgrifennydd y Cabinet dros Drafnidiaeth a Gogledd Cymru  
Cabinet Secretary for Transport and North Wales



# Agenda Item 4.4

**From:** [REDACTED]  
**Sent:** 03 March 2025 16:22  
**To:** Gruffydd, Llyr (Aelod o'r Senedd | Member of the Senedd) <[Llyr.Gruffydd@senedd.wales](mailto:Llyr.Gruffydd@senedd.wales)>  
**Cc:** Climate Change, Environment, and Infrastructure Committee | Pwyllgor Newid Hinsawdd, yr Amgylchedd a Seilwaith <[SeneddClimate@senedd.wales](mailto:SeneddClimate@senedd.wales)>; Jewell, Delyth (Aelod o'r Senedd | Member of the Senedd) <[Delyth.Jewell@senedd.wales](mailto:Delyth.Jewell@senedd.wales)>  
**Subject:** Ffos-y-fran restoration proposal - urgent

Dear Mr Llyr Gruffydd MS,

In your capacity as Chair of the CCEI Committee, and in relation to my recent in-person oral evidence testimony, and my [connecting follow-up letter](#), we ask that the CCEI Committee urgently requests a meeting with Huw Irranca-Davies to discuss Merthyr (South Wales) Ltd's [application](#) to hugely downgrade the extent of restoration to take place at the site of the recently closed Ffos-y-fran opencast coal mine that the Committee visited in 2024. The coal mine operator is spinning this budget scheme as more environmentally friendly, but we are understandably sceptical of that coming from a coal mining company - the truth is that this is an application to do as little as possible to justify Merthyr (South Wales) Ltd to draw down the £15m held beyond its reach in an ESCROW account that was never intended to fund the restoration unless Merthyr (South Wales) Ltd were to liquidate and abandon the site. However, the new application states that it is to "be funded by the proceeds held in the ESCROW account." - which is to say that Merthyr (South Wales) Ltd intends to put no more of its own money to fund the restoration. As set out in our follow-up letter to the CCEI Committee, not only can Merthyr (South Wales) Ltd afford to fund the agreed level of restoration, it appears the company has even been claiming tax relief from HMRC on setting those funds aside. The new application will truly condemn Merthyr Tydfil residents to live below a water-filled void with a capacity of over one million cubic metres of water and in the shadow of three colossal coal tips containing 37 million cubic metres of colliery spoil. Merthyr Tydfil residents are understandably concerned by that in light of the recent coal tip slip in Cwmtillery, and the destabilising effects of climate change.

We stand on the precipice of Merthyr Tydfil citizens being sold short of tens of millions in restoration works, the impacts of which will be felt for generations to come and will leave significant hazards near to a population centre. After 15 years of coal mining and a further 1.5 years of illegal coal mining, Merthyr Tydfil deserves for the promised restoration to be delivered. However, Merthyr Tydfil County Borough Council, which has already been heavily criticised in its handling of this by the Mining Remediation Authority and the CCEI Committee, seems intent to rubber-stamp the application through in fear of the mining operator otherwise abandoning the site - and hasn't shown any appetite to investigate the company's financial ability to fund the original quality of restoration, despite the fact that this is clearly set out in the [company's most recent public accounts](#), even adjusting for rising costs - "the provision was re-assessed during the year and as a consequence the estimate was increased by £ 18.0m" (page 19) - that incremental funding increase, set aside for restoration by the company, alone amounts to somewhat more than the ESCROW account total.

We know that the CCEI Committee will want to pursue this given its short committee inquiry into Ffos-y-fran and restoration issues, and its scrutiny of the Disused coal tips bill. We also underscore again that this is a matter of urgency as the application was posted on Merthyr Tydfil

County Borough Council's website on 21/02/2025 and the statutory deadline for public consultation is **14/03/25** - though this may be extended. We hope that the CCEI Committee impresses this urgency on Huw Irranca-Davies in the strongest terms, **asks him to step in to freeze this major plan being rushed through on the seemingly false premise that the company cannot afford to deliver a quality restoration scheme, and to commit to investigating Merthyr (South Wales) Ltd financial capacity to deliver the promised quality of restoration.**

--

Regards,

[Redacted]

**Coal Action Network**

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

Subscribe to our [mailing list](#)

Follow us: [Twitter](#) [Facebook](#)



Document is Restricted

# Agenda Item 8

By virtue of paragraph(s) vi of Standing Order 17.42

Document is Restricted

# Agenda Item 9

By virtue of paragraph(s) ix of Standing Order 17.42

Document is Restricted