

Briefing for the Climate Change, Environment and Rural Affairs Committee meeting on 2 November 2016.

1. Introduction

Natural Resources Wales' (NRW) purpose is to pursue sustainable management of natural resources. We embed the principles of sustainable management of natural resources throughout the way we work, and by applying these principles we maximise our contribution to the well-being goals.

We welcome the opportunity to present to the Committee during its annual scrutiny of NRW.

2. Remit letter

A summary of the action taken to deliver the priorities set out in NRW's 2015-16 remit letter.

During 2015/16 there were a number of priorities set out for us using the themes of our corporate plan. Below is a summary of what we delivered during the year.

Good for People

- 98% of **high risk flood assets maintained**.
- We launched **Flood Warnings and Flood Risk maps** on our website.
- We attended **1,883 environmental incidents**.

Good for Business

- 91% of **planning applications** responded to within agreed timescales.
- 91% of **permits, licences and consents** issued within agreed timescales.
- We worked with developers to enable nine small scale **hydropower schemes** on the NRW managed estate.

Good knowledge

- Work continued to produce Wales' first **State of Natural Resources Report (SoNaRR)**, and we continued working with academia to source relevant information and plan future evidence needs to inform the embedding of sustainable management of natural resources within Area Statements, future SoNaRR reports, and our functional work.
- In order to develop a common evidence base, we have made a significant input to the **Welsh Government's Information Hub (Lle)**, a single data publishing service that

allows us to publish our data in one place. We now have 96 open datasets available for external re-use, an increase from 78 in 2013, including the Ancient Woodland Inventory, Flood Maps and National Biodiversity Network Species Data.

- We worked with Welsh Government to contribute to the **Well-being of Future Generations (Wales) Act Statutory Guidance** which has been used by statutory and non-statutory partners to ensure compliance with the Act enacted in April 2016.

Good Organisation

- We organised a series of 'Come on Board' promotion events across Wales in order to **promote Board membership** to the full cross section of Welsh society by explaining more about the work of NRW, as well as the specific requirements of Board members.
- Work progressed on our **transformation** and standalone capability and we have been able to reduce the amount we pay to legacy bodies for ICT services by £5.2m each year. We are now looking to deliver the remaining ICT deliverables that will allow us to finally close all the transition services with the EA and Forestry Commission GB by 31 March 2017.
- Realising better value for money, we are expecting to **generate benefits** of £158 million over our first 10 years through the greater efficiencies gained by bringing three organisations into one. Currently we have successfully identified cash and non-cash realisable benefits of £147 million (93%).
- We have shared learning from **area based trials** across our organisation and with external partners.

A summary of actions you have put in place to deliver the priorities set out in 2016/17 remit letter.

We have begun to embed our new purpose **Sustainable Management of Natural Resources** into our work. We've done this through rationalising environmental planning work, organisational design, and working more closely with local communities to inform the priorities, risks and opportunities for the sustainable management of natural resources for NRW, the National Natural Resources Policy, the Future Trends Report and work of the Commissioner under the Well-being legislation.

In implementing the **Well-being of Future Generations (Wales) Act**, we are active members of [Public Service Boards across Wales](#) supporting partner engagement with evidence packs as well as developing engagement on our own future well-being objectives as part of our next corporate plan.

In implementing the Environment (Wales) Act we:

- held a four day workshop involving our partners - water companies, national parks, local authorities, the forestry sector and third sector to develop our approach to implementation of the first Area Statements.
- launched our first SoNaRR on 3 October.

Other key developments against our remit letter priorities include:

- We are developing our **Enterprise Plan** and our income to date this year is £8.1m, ahead of profile by £1.7m.
- To support **community development**, our 'Cyfle' policy has been developed, along with supporting procedures, to ensure continuation of our volunteer scheme as well as a range of Esgyn/Lift Contribution Statements.

- Work is ongoing to deliver our capital **flood schemes**. 1,078 properties now benefit from increased property protection following completion of projects in Caerleon, Tabbs Gout and Risca. Construction work has also now started in St Asaph.
- We work with Welsh Government via the **waste crime** working group to support review and implementation of new powers under Environmental Permitting Regulations. We are also using Welsh Government funding provided on initiatives that will increase our capability to tackle **waste crime and prevent and manage fire risk** at permitted sites including, for example employing a temporary secondee from the Fire and Rescue Service, and working collaboratively with Welsh Environmental Services Association and the Chartered Institute for Waste Management to increase industry and landowner awareness of waste management responsibilities.
- We are proactively working with the Welsh Government Treasury and Wales Revenue Authority Implementation Programme to continue to explore the options for **Landfill Disposal Tax** compliance and enforcement functions.
- We secured one year funding to support implementation of **EU Invasive Alien Species Regulation**. Following successful recruitment we are now working with the Welsh Government to develop a delivery programme.
- In implementing the **Marine Transition Programme** and **Marine and Fisheries Strategic Action Plan**, we have: provided initial advice to Welsh Government on a risk-based approach to consenting in the **Wales National Marine Plan**; undertaken an assessment of gaps in the network of marine protected areas; consulted and subsequently advised the Welsh Government on possible new Special Areas of Conservation for harbour porpoise and Special Protection Area for marine birds, and; completed the first round of priority fishing activity assessments.
- Three new application programme interface services have been added to the NRW website, **sharing datasets**, and allowing customers to embed live maps/data in their own applications.

3. Voluntary Exit Scheme

An update on the voluntary severance scheme including numbers of staff that have taken up the scheme and the total cost to date.

The 2016/17 Invest-to-Save application set out the aim to run a voluntary exit scheme. The scheme allowed NRW to address a forecast shortfall in grant aid over the next 3 – 4 years and to support our transformation programme to increase efficiency and effectiveness by providing a means of reducing headcount and releasing money for reinvestment in priority areas.

The proposal was for an expected 80-100 reduction in headcount.

Applications to the scheme were scored on two criteria: replace-ability of the post and business continuity (impact and risk); the scores were then reviewed based on impact across the directorate.

Final outcomes:

Applications Received	Applications Withdrawn	Eligible Applications	Offers Made
257	12	245	116

Compensation Costs:

Offers Accepted	Total Compensation (inc strain costs)
100	£4,710,050

4. Business Plan

A summary of the body's performance against both the 2015/16 Business Plan and the 2016/17 Business Plan (performance to date), including the latest corporate dashboard performance report.

Our performance framework 2015/16 and performance framework 2016/17 to date are below. These both track indicators and measures showing progress against Remit Letter, Corporate Plan and Business Plan delivery.

- 2015/16 final dashboard: [Performance Framework Progress Report - Period 3](#)
- 2016/17 dashboard to date: [Performance Framework Progress Report - Period 1](#)

5. NRW People Survey 2016

Our People Survey was carried out in April 2016 to gauge honest opinions from staff on how they feel about working for NRW and find out which areas we needed to focus on to improve things.

82% of staff completed the survey compared to 58% in 2015.

The survey results have given us an understanding of staff feelings on important issues such as the impact of change, pressures on finances in the public sector and understanding new ways of working.

The results demonstrate issues we need to address to make NRW a better place to work and also underline the passion and commitment our staff to their work and to the wildlife and people of Wales.

[NRW People Survey results](#)

6. Self-policing

A summary of any enforcement or self-policing action the body has taken against itself in the last 12 months.

We publish a record of all our [self-permitting decisions](#) on the website each month.

There have been 112 self-permitting decisions between January 2016 and the end of August 2016. These have been a mixture of abstraction licences, marine licences, flood risk activity permits, Sites of Special Scientific Interest assents and herbicide authorisations.

Water abstraction licences are issued by the Water Resource Permitting Team and their permitting process and legislation requires the submission of our decision documents to the Welsh Government for scrutiny and the option to 'call in'. Welsh Government officials have been consistently satisfied with our determination of the applications.

Investigation of compliance

NRW is certified to the ISO14001:2015 environmental standard. As part of the Environmental Management System (EMS) we have a procedure relating to the reporting and review of environmental incidents.

- During the period 1 April 2015 to 31 March 2016, 18 environmental incidents relating to NRW (or our contractors) were reported and reviewed (in 2014/15, 38 incidents were reported).
- Of the 18 environmental incidents, 10 were caused by contractors working on our behalf.
- None of the incident reports were classed as serious according to the incident classification scheme that NRW uses for environmental incidents.
- Our EMS incident procedure focuses on review and learning from environmental incidents.

7. Grants/Funding Programmes

An update on grants and partnership funding programmes.

The 2016 Competitive Round

NRW's second round of Competitive Funding was launched in the summer 2015 for projects beginning April 2016. The funding was targeted at two areas of NRW's remit:

- Sustainable Management of Natural Resources, focusing on improving the conservation status of habitats and species on the Natura 2000 network of designated sites in Wales (Special Areas of Conservation and Special Protected Areas).
- To support the use of our environment and natural resources to improve people's health, well-being and local surroundings and to support community regeneration and poverty reduction.

Project applications were required to address both areas.

Projects funded by the 2016 Competitive Round

Project Title	Lead Applicant	Amount awarded
Cardigan Bay Marine Protected Area Management	Ceredigion County Council	£44,502
Clwydian Range & Dee Valley AONB	Denbighshire County Council	£226,243
Monmouthshire Coast Care	Monmouthshire County Council	£ 24,972
Pen Llyn a'r Sarnau - Acc & Rec Project	Gwynedd Council	£87,507
Marine Ecosystems Project	Gwynedd Council	£52,585
Aberbargoed Grasslands Ecosystem Restoration	Caerphilly County Borough Council	£37,165
Reconciling conservation and recreation	Snowdonia Active	£17,500
SNPA Mawddach and Wnion Invasive Species Project	Snowdonia National Park Authority	£21,435
12 Sustaining Gower Ash Woods	Down to Earth project	£ 49,295
Milford Haven native oyster regeneration project -	West Wales Shellfishermas' Association LTD	£11,200
Reconciling conservation and recreation	Snowdonia Active	£17,500
	Total	£ 589,904

8. Savings

The latest information on the cash and non-cash realisable savings achieved by the body.

Cash Savings

We have been monitoring the costs and benefits from the creation of NRW against the Welsh Government Business Case. The last full review was undertaken during 2015-16. These figures are summarised below and will be updated later this financial year.

Summary Cash Releasing Benefits/Costs (Economic Case)

1 Original WG Business Case

All figures in £000

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Benefits	0	6,295	9,299	12,389	14,118	14,232	14,232	14,232	14,232	14,232	14,232	127,494
Costs	-10,575	-13,943	-11,923	-8,744	-5,494	-5,374	-2,973	-2,973	-2,243	-2,243	-2,243	-68,728
Net	-10,575	-7,648	-2,624	3,645	8,624	8,858	11,259	11,259	11,989	11,989	11,989	58,766
NPV	-10,575	-7,390	-2,450	3,287	7,515	7,459	9,159	8,850	9,105	8,797	8,499	42,256

2 Revised WG Target (July 2013)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Benefits	0	-2,721	7,679	12,976	13,879	14,734	15,605	16,074	16,074	16,074	16,774	127,150
Costs	-12,441	-16,584	-16,200	-6,600	-1,600	-1,600	-2,200	-2,200	-2,200	-2,200	-2,200	-66,025
Net	-12,441	-19,305	-8,521	6,376	12,279	13,134	13,405	13,874	13,874	13,874	14,574	61,125
NPV	-12,441	-18,652	-7,955	5,751	10,701	11,059	10,905	10,905	10,536	10,180	10,332	41,321

3 NRW Forecast

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Benefits	0	176	5,725	12,066	15,058	16,375	15,941	15,901	15,901	15,901	15,901	128,942
Costs	-12,441	-10,451	-15,800	-11,517	-6,700	-2,400	-1,900	-1,900	-1,900	-1,900	-1,900	-68,809
Net	-12,441	-10,275	-10,075	549	8,358	13,975	14,041	14,001	14,001	14,001	14,001	60,133
NPV	-12,441	-9,928	-9,405	495	7,283	11,767	11,422	11,004	10,632	10,273	9,925	41,027

Measuring the benefits is becoming increasingly difficult as it becomes harder to distinguish benefits realised from the creation of NRW and those as a result of post-creation decisions.

Non-Cash Savings

We are undertaking a review of the benefits identified early on to verify that they have emerged as expected. We are also adding some recently identified benefits to the register.

9. Financial Position

The latest financial position of the body.

Revenue Budget

In 2016-17 we received a 7% (£6m) reduction in our Grant in Aid. This was in addition to a 3.5% (£3m) reduction in 2015-16. In addition, we faced inflationary and pay pressures such as increases to National Insurance and our Local Government Pension Scheme employer contributions, as well as on-going transformation costs. At the same time, we are starting to realise reductions in our operating costs as we reduce the dependency on our legacy bodies.

We have had to make a series of difficult decisions to balance the budget during this financial year including cutting back on many operational budgets by 10%, substantially amending some service offers, and reducing posts through the Voluntary Exit Scheme (see above).

Since NRW was created, Welsh Government has provided additional funding to support us taking on new responsibilities, transformation and dealing with emergency situations such as dealing with tree health problems and the impact of adverse weather on the forest estate, coastal path and flood assets (see table below).

We have also received Invest to Save funding to run Voluntary Exit Scheme programmes and implement some of our ICT infrastructure changes (see section below).

Our current [financial position](#) was reported to the Board in September 2016.

In summary, the overall financial position for 2015-16 at the end of August remains positive; income is ahead of budget and expenditure is below budget.

Capital Budget

Our biggest capital programme is for flood risk management. Currently, we spend about £20m per annum, although our baseline Grant in Aid is significantly below that level (£6.5m in 2016-17). Funding has been supplemented in recent years by European funding, Wales Infrastructure and Improvement Plan and additional allocations (see below).

Details of any cases made to Welsh Government for additional funding over and above your budgeted financial allocation for both 2015-16 and 2016-17 to address pressures and new responsibilities.

Additional Funding

Additional Grant in Aid was allocated by the Welsh Government for use in 2015-16 and 2016-17 as follows:

Funding allocated for:	2015-16 £m	2016-17 £m
Flood Capital Programme	3.0	3.5
Tree Health	3.3	3.5
New legislation, responsibilities and services	0.7	2.9
Flood Revenue	0.0	0.8
WG Policy priorities (Carbon positive and Marine Aggregate Review in 15-16 and Waste Crime in 16-17)	1.3	0.2
Regulated activities not recovered through charges	0.8	0.4
Organisational Change (Internal Drainage Districts pension deficit in 15-16 and match funding for Voluntary Exit Scheme in 16-17)	0.5	1.0
Total	9.6	12.3

10. Invest to Save

Details of the Invest to Save funding the body has received to date.

Reason	Financial Year	Value £m
Establishment of NRW – ICT Infrastructure	2013-14	£0.5
Voluntary Exit Scheme	2013-14	£3.8
Voluntary Exit Scheme	2014-15	£2.3
ICT Infrastructure	2015-16	£1.0
Voluntary Exit Scheme (not fully utilised – some to return)	2016-17	£3.8

11. Implementation of Legislation

An update on the cost of delivery of NRW's functions under both the Environment (Wales) Act 2016 and the Well-being of Future Generations (Wales) Act 2015.

In 2015 we shared our initial estimates of the costs incurred meeting the requirements of both the Environment (Wales) Act 2016 and Well-Being of Future Generations (Wales) Act 2015. We estimated a cost of £770k in 2016-17 and £1.1 million in 2017-18. Welsh Government allocated £770k in 2016-17 and we are in the processing of re-assessing the costs for 2017-18.

An update on progress to date in delivering NRW's functions under these Acts.

In addition to the progress reported in section 2 (above) we have:

- Developed draft internal guidance on the application of experimental schemes;
- Explored the role of payment for ecosystem services in furthering sustainable management of natural resources;
- Considered the role of Strategic Environmental Assessments and Sustainability Appraisals in the preparation of Area Statements;
- Input to the development of various plans and strategies to ensure they reflect our new purpose and ways of working.

12. Wales Audit Office

An update on progress made to implement the recommendations in the Auditor General for Wales' February 2016 report.

We are making good progress on implementing recommendations following Wales Audit Office's report Development of NRW; see Annex 1 for a summary. Key achievements include:

- Addressing long term accommodation needs through thorough strategic review of accommodation needs and alternatives in line with organisational restructure and utilisation surveys.
- Streamlined management information reports.
- Reviewed NRW Board operating arrangements.

13. Brexit

Views of the implications of Brexit for NRW.

NRW is represented on the Cabinet Secretary for Environment and Rural Affairs' roundtable meetings to advise the Welsh Government on the implications of leaving the European Union on policy and legislation.

Annex 1

WAO Development of NRW Response Action Plan

Ref	WAO Recommendation	NRW Action	NRW Lead	Due	Update	Status
R1a	To enable NRW to undertake more robust medium-term planning, the Welsh Government should provide NRW with more certainty over future funding arrangements, particularly for the next three years, including whether additional funding will be available for the increased statutory responsibilities.	Following the Assembly election in May 2016, discuss with Welsh Government the indicative funding position for 2017-18 to 2019-20 and how WG can provide more long-term certainty.	Executive Director of Finance and Corporate Services	31 October 2016	We have had discussions and made submissions on our future funding to WG during August 2016. These include the impact on funding reductions, the need for longer term funding certainty, capital requirements and the funding of new responsibilities. The draft WG Budget was published in mid-October.	On track
R1b	NRW should engage in dialogue with the Welsh Government and stakeholders to agree on the key delivery priorities for NRW over the next five years, and to manage expectations of its role and its contribution to environmental outcomes, given reduced funding.	Deliver NRW Corporate Plan 2017-2022 Engagement Plan including Welsh Government and capture feedback from all stakeholders including WG	Director of Governance	September 2016	New deadline agreed with Welsh Government as corporate plan is now scheduled for late 2017. Discussions have been held with the NRW Board on NRW's draft well-being objectives which will provide some of the core content for corporate plan engagement with stakeholders and staff.	On track
R2	NRW and the Welsh Government should agree an appropriate approach to monitoring and reporting benefits realisation in the context of the wider action that NRW is taking in	NRW to complete 2015/16 benefits realisation report.	Transformation Portfolio Director	31 December 2016	The Benefits Register is being updated to reflect end of the Q2 position.	On track
		NRW / WG sponsorship meeting to agree future requirements for benefits	Transformation Portfolio Director	28 February 2017	Early discussions have started with WG to be able to stop reporting at the end of March 2017.	On track

Ref	WAO Recommendation	NRW Action	NRW Lead	Due	Update	Status
	response to budgetary pressures.	realisation reporting				
R3a	Consider NRW's long-term accommodation needs	Continue development and implementation of NRW long term Accommodation Strategy.	Executive Director of Finance and Corporate Services	31 March 2017	Current ongoing work includes: - Appointed an Accommodation Officer - Focus on rationalisation of small offices/ depots, - Accommodation to be aligned with the new NRW structure and approach to place-based delivery. E.g. moved staff from Llwyn Brain to Maes y Ffynnon in Bangor. - Co-location with Universities and other public sector bodies is being investigated.	On track
		Complete strategic options for South, North and Mid Wales to reflect new organisational structure and requirements.	Executive Director of Finance and Corporate Services	31 December 2016	North Wales and Mid Wales projects will be complete by 31 December 2016 and 31 March 2017 respectively. Ongoing work will take the South Wales project to completion by December 2018. A project officer has been appointed.	On track
R3b	Make more effective use of data in order to track sites' usage, expenditure, and performance; and to assess effectiveness of the rationalisation programme.	Complete utilisation survey programme at largest sites.	Executive Director of Finance and Corporate Services	Ongoing	Utilisation surveys are used as part of ongoing accommodation needs analysis. Surveys have been completed in North and Mid Wales. Larger South Wales offices will be surveyed by March 2017.	On track
		Implement Agile working principles.	Executive Director of Finance and Corporate	31 December 2016	Principles approved and in use for current and future accommodation	Completed

Ref	WAO Recommendation	NRW Action	NRW Lead	Due	Update	Status
			Services		projects.	
		Implement expenditure and performance tracking for sites post rationalisation	Executive Director of Finance and Corporate Services	30 September 2016	Regular meetings with Business Finance to track rationalisation savings.	Completed
R4	NRW should ensure that the approach to job evaluation is flexible enough to meet NRW's future business needs.	Review NRW generic role profiles to ensure they are fit for future business needs	Executive Director of Organisational Development and People Management	31 March 2017	Job evaluation details are being finalised through ongoing discussions with trade unions and arranging Ministerial approval of final scheme.	On track
R5	NRW should review its staff and stakeholder engagement activities to demonstrate value, effectiveness and alignment to organisational purpose, priorities, and the transformation programme activities and outcomes.	Implement regular feedback process for Executive Team and the NRW Board using new Communications Dashboard.	Director of External Relations and Communications	31 March 2017	A Stakeholder Engagement Board is in place to deliver plans for a fresh approach that is aligned to the Corporate Plan. Stakeholder sector plans have been reviewed and new template under review.	On track
R6	NRW should monitor its use of workforce-related data to ensure it is meaningful and accurate and reported appropriately through to the Executive Team and NRW Board, and to other Committees where relevant.	Continue to report regular monthly workforce management information.	Executive Director of Organisational Development and People Management	31 March 2016	Workforce related data is now regularly and accurately reported to the Executive Team and Directorates. Key metrics (e.g. wellbeing, health & safety) are reported to the People and Remuneration Committee and NRW Board	Completed
		Review use of workforce data, how it is reported and agree future reporting requirements.	Executive Director of Organisational Development and People Management	31 March 2017	Improved wellbeing, health and safety data now available. Wider organisational change is being prioritised as this will drive workforce data requirements	On track

Ref	WAO Recommendation	NRW Action	NRW Lead	Due	Update	Status
R7	The Welsh Government and NRW should ensure that they set out clear guidelines on the expected role of Board members given the reduction in time, and keep under review whether the reduction in time has any impact on the effectiveness of the Board.	Agree New NRW Board terms of operation.	Director of Governance	31 March 2016	The new NRW Board has agreed its 'modus operandi' including format and frequency for NRW Board meetings, Committee membership, NRW Board update sessions, NRW Board sub-groups and 'champion' roles. NRW Board documentation, including the NRW Board Handbook, has been updated to reflect these new arrangements.	Completed
		Review effectiveness of NRW Board operations	Director of Governance	31 March 2017	An NRW Board effectiveness exercise, facilitated by Academi Wales, scheduled for 31 October 2016.	On track
P1	Risk Management – Embed key risk management processes	Complete actions in NRW Internal Audit Risk Management Action Plan	Director of Governance	31 March 2017	Revised approach to risk management agreed at NRW Board in September 2016. To be implemented through the remainder of 2016/17.	On track
P2	Procurement – response to Welsh Government Procurement Maturity Model self-assessment	The Maturity Model pilot is currently being undertaken by NRW. Once complete we will work with Value Wales to agree: - the date for them to undertake their own assessment of NRW - how the "lessons learned" from the pilot will be fed into the revised Maturity	Executive Director of Finance and Corporate Services	30 September 2016	NRW self-assessment for the WG Maturity Model for FY15/16 completed. - WG are currently undertaking a review of their approach to a third party check. We await the outcome of this review and will then work within the agreed approach to facilitate a third part review of our maturity matrix. - We have provided formal feedback to the Senior Project	On track

Ref	WAO Recommendation	NRW Action	NRW Lead	Due	Update	Status
		Model in readiness for its launch throughout Wales			Manager which was reviewed alongside feedback from South Wales and Dyfed Powys Police and has been implemented. Requested amendments to the pilot were also made during the year where the requirement was justified.	
P3	Grants Management – response to Environment and Sustainability Committee concerns in relation to processes for awarding and administering grants.	Implement recommendation from Business Area Review of how Grants are awarded, administered and managed	Executive Director of KSP and Executive Director of Finance and Corporate Services	31 May 2016	Future approach to grant administration approved by NRW Board in September 2016.	Completed
		Review effectiveness of new process and amend where necessary	Executive Director of KSP and Executive Director of Finance and Corporate Services	31 March 2017	New arrangements will apply to grants rounds from 2018/19. Ongoing actions to address internal audit report will be delivered to agreed timescales.	On track

19 October 2016