



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

Annual Report and Accounts 2021-2022



www.naturalresources.wales



Noddir gan
Lywodraeth Cymru
Sponsored by
Welsh Government

Published by:

Natural Resources Wales

Cambria House

29 Newport Road

Cardiff

CF24 0TP

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

enquiries@naturalresourceswales.gov.uk

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.....	7
Roles and responsibilities	8
Our values	8
Our Well-being Objectives and Strategic Priorities.....	9
NRW in numbers	10
Key risks summary	11
Finance summary	13
Performance summary	15
Performance Analysis.....	16
Accountability Report.....	42
Corporate Governance Report.....	43
Directors' Report.....	43
Statement of Accounting Officer's Responsibilities	46
Governance Statement.....	47
Remuneration and Staff Report (audited)	66
Parliamentary and Audit Report (audited)	80
The Certificate and independent auditor's report of the Auditor General for Wales to the Senedd	81
Financial Statements.....	86

Chair's foreword

Welcome to NRW's annual report and accounts for 2021/22.

The pandemic challenged us all to rapidly adopt new ways of working and we are building on this momentum to drive innovation and improve our responsiveness to customer needs. Our Adfywio (Renewal) programme is reviewing where and how we work – looking at our buildings, transportation, and machinery. Reducing our carbon footprint is critical as we play our part in meeting the net zero targets. We are also improving our digital offering, enabling our customers to engage with us more effectively, securing efficiencies for us all.

As we emerge from restrictions it is clear that the benefits of online working are immense in terms of reductions in travel, equity of access and transparency and we must not lose these. However, reconnecting with partners and colleagues through in-person events and meetings will still be important, and critical to deepening and forging new relationships. Our stakeholders are very important to us, so we are actively exploring how we ensure our engagement is both meaningful, purposeful, and effective.

This approach has been key as part of the work of the Better River Quality task force. We know that the infrastructure to deal with our sewage in Wales is under considerable pressure from climate change, changes in population density and distribution, and new development. Without action, these pressures will contribute to an increase in the flows at treatment works, risking an increase in the number of spills from storm overflows (referred to as overflows) which have the potential to adversely impact on our water environment.

Coordinated action across organisations is essential if we are to achieve a change and improvement to the management and environmental regulation of overflows in Wales. I am very pleased to work with NRW colleagues, Welsh Government, Ofwat, DCWW and Hafren Dyfrdwy, Afonydd Cymru and Customer Council for Wales on the task force, which has been working diligently towards the publication of a joint Roadmap for better river quality in Wales. It focuses initially on storm overflows and provides an excellent footing for further joint working to improve sewage discharges in Wales.

Building this new model of partnership working has been stimulating as we have worked across organisational boundaries to build a common understanding of the issues, the part we can play collectively and as individual organisations in addressing this critical water quality issue. This investment of time is important and I am confident that this will put us on a firm footing to move forward quickly to address public concerns.

Finally, in my fourth year as Chair, I would like to give thanks to our staff for all their hard work in continuing to deliver during the challenges of the pandemic, and to thank our Board Members for their continued support - particularly to those who have come to the end of their terms with us during this last year. Elizabeth Heywood and Howard Davies have been outstanding contributors to the work of the board, and I offer my heartfelt appreciation for their support over the six years that they have both served with us.

Sir David Henshaw

Chair

13 July 2022

Performance Report

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

Chief Executive's statement

The tides of change have shifted yet again, and as we learn to live with the ongoing impacts of the covid pandemic, the world has firmly reset its focus to the people of Ukraine and the Russian invasion. We wholly endorse Welsh government's position in designating Wales as a nation of sanctuary, and we are actively exploring how NRW can support humanitarian efforts to provide safe shelter and opportunities for Ukrainian refugees.

With experts predicting that the conflict will be protracted, we are actively monitoring the wider impacts that the war will have across the world, and how they will affect us in Wales. We are analysing the drivers and subsequent risks, such as in terms of changes to energy and food supply, land use and regulation, and the impact on the already rising cost of living - all against the ongoing ramifications of Britain's EU-Exit.

This work has helped us to sharpen our focus on delivery. These pressing global issues cannot distract us from the realities of climate change. With Welsh Government commitment to place the nature and climate emergencies at the heart of their decision-making in their Programme for Government, we have been working closely with Ministers and officials to agree five shared priorities so that there is absolute clarity and alignment around expectation and service delivery. These areas of focus reflect the work of the ministerial deep dives, and include water quality, biodiversity, flood prevention and coal tips, enabling tree planting, and Marine consenting for renewable energy developments.

We have been working diligently with Welsh Government to outline and review NRW's baseline activities. Workstreams have been defined and these include service levels, shared prioritisation and our future budget. We are also using this opportunity to explore invest to save potential and service efficiencies. This work will be presented to the Minister in the Summer of 2022.

During this year we made good progress across a wide range of our work programmes amidst the continuing challenges of Covid-19 and several serious flooding events. This has included reaching our target of 800 properties benefitting from a reduced level of flood risk through our capital works by December 2021, with further work to benefit even more properties by the end of 2022/23 with, for example, major works now underway to ensure the long-term safety of Wales's largest natural lake, Llyn Tegid. The natural lake plays a vital role in regulating flows and managing floods in the Dee Valley. The work involves the strengthening of embankments and replacing the entire length of lakeshore rock protection and is managed under reservoir legislation as the lake's embankments give protection from flooding to the town of Bala.

Our country-wide conversation, Nature and Us / Natur a Ni, launched in January and aimed to get the people of Wales talking about the way our actions impact on the natural environment, and how society's relationship with nature needs to change. This work will inform the development of a shared vision for 2050 and considers the changes we need to make leading up to 2030 and 2050, as individuals and as a nation.

Our flagship species recovery partnership 'Natur am Byth!' continues at pace, and we are grateful to the National Lottery Heritage Fund and Welsh Government for their funding in support of this work. The partnership of nine environment NGOs and NRW aims to halt the decline of 62 threatened species in Wales, of which 40 are at risk of extinction if we do not act now. The programme involves working closely with landowners, communities and a diverse range of people who would most benefit from increased connection to nature.

Two projects which will protect, enhance, and help restore nature and the environment have also been launched this year. Supported through the EU's LIFE Programme and match funded by the Welsh Government, the £13.8 million cash injection will breathe new life into urgent conservation challenges over the next five years.

More than nine million pounds will be invested into bringing four Welsh rivers into good condition – the Teifi, Cleddau, Tywi and Usk. An estimated 500km of river will be improved.

Just over £4.5 million will also be targeted at conserving quaking bogs, the largest of the last remaining quaking bogs in Wales is Crymlyn Bog on the outskirts of Swansea. Other areas in the project include St David's in Pembrokeshire and on the Llŷn Peninsula. They are all in need of intensive care due to damage in the past from drainage, pollution, or neglect. They are not only of interest from a carbon capture perspective - but they also harbour very rare species – including Britain's largest spider, the great fen raft spider at Crymlyn and the marsh fritillary butterfly in Pembrokeshire and Gwynedd.

The next five years will be critical in terms of making tangible inroads to tackling the nature and climate emergencies. As we look forward to what will very much be a transition year in moving from one corporate plan to the next, we are preparing ourselves to meet the challenges ahead and we look forward to working with our colleagues, partners, and stakeholders to shape our priorities for the future.

Our staff have worked tirelessly over the last year, and I am immensely grateful to them all for their commitment and dedication, sharing their knowledge and expertise to protect nature and the communities of Wales.

Clare Pillman

Chief Executive and Accounting Officer

13 July 2022

Introducing NRW...

We are a Welsh Government Sponsored Body. Our core purpose is to pursue the [Sustainable Management of Natural Resources \(SMNR\)](#) and apply the SMNR principles as set out in the Environment (Wales) Act 2016. Wales is the first country in the world to create a single organisation that brings together many of the tools needed to help manage our natural resources in an integrated way. Natural resources in Wales are fantastic - rugged mountains and woodlands, beautiful landscapes and coastlines, and amazing wildlife. They are vital for our survival and provide us with the basic things we need to live: clean air, clean water, and food. They create jobs for many thousands of people including farmers, foresters, and tourist operators, creating wealth and prosperity.

We have one request of you as a reader of this annual report and accounts - if on reading this report, you believe we should make changes to our next annual report and accounts, please get in touch with your ideas. We commit to reflecting on all feedback, and will continue to make changes to the report in future – all part of ensuring this annual report and accounts remains fair, balanced and understood by its readers.

Roles and responsibilities

As the largest Welsh Government sponsored body, we have a wide range of roles and responsibilities we deliver in an integrated way to achieve our overall purpose. These roles and responsibilities include:

- **Adviser** to the Welsh Government, industry, farming, landowners, managers, the wider public and voluntary sector, communicating on issues relating to the environment and its natural resources
- **Regulator** of industry, waste, energy, marine, forest and designated sites to protect people and the natural environment and support legitimate business
- **Designator** for Sites of Special Scientific Interest (SSSIs), Areas of Outstanding Natural Beauty (AONBs), National Parks and National Nature Reserves (NNRs)
- **Responder** to more than 7,000 reported environmental incidents as a Category 1 emergency responder
- **Statutory consultee** on more than 8,000 planning consultations
- **Manager** of more than 7% of Wales' land (influencing a wider area), including the Welsh Government Woodland Estate, National Nature Reserves, flood defences, assets, recreation facilities, hatcheries, and an analytical laboratory
- **Partner, educator, and enabler**, supporting and facilitating other organisations' work and helping people learn in, learn for, and learn about, the natural environment
- **Evidence gatherer** monitoring the environment, influencing, commissioning and undertaking research, developing and sharing knowledge, and holding public records
- **Employer** of approximately 2,100 staff, as well as contractors, and working with volunteers

Our values

Our values exemplify the way we want NRW to be and how we work:

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

Our Well-being Objectives and Strategic Priorities

How we want to contribute to the goals set out in the [Well-being of Future Generations Act](#) is reflected in our [Corporate Plan to 2023](#). Our Well-being Objectives are:

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

For the 2021/22 year, we continued to maintain our focus in working to achieve our well-being objectives through the same five strategic priorities as 2020/21:

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

For the coming year, our strategic priorities have been updated. Please see our [2022/23 Business Plan](#) for more on these. For information on how our organisation is structured to deliver, please see our Accountability Report ('[Our Executive](#)' in this report, or our website [here](#), for further detail).

NRW in numbers

Some figures relating to our activity of the last year, including some work with others:

Champion the Welsh environment and the sustainable management of Wales' natural resources

- Over 1,100 Welsh sites are designated as SSSI¹, AONB, NNR and/or National Park
- NRW is a member of all 15 [Public Services Boards in Wales](#)

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

- We manage more than 7% of the land in Wales
- We maintain around 4,030 flood risk management assets
- We processed 1,292 permit applications²

Improve resilience and quality of our ecosystems

- We manage 56 [National Nature Reserves](#) (some in partnership with others)
- Our responsibilities stretch for the 12 nautical miles from the coastline
- We issued 1,874 species licences

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

- We maintain 455km of flood risk defences
- 220 environmental incidents caused serious (major or significant) impact
- 113,732 properties have registered to receive our [flood warnings](#)

Help people live healthier and more fulfilled lives

- More than 3.2 million visitors visited some of our more popular sites in 2021
- We received 222 [permission applications](#) in 2021 for an event³ using land we manage
- We are responsible for 25 [accessible grade waymarked 'walking' trails](#)
- We manage 4 [visitor centres](#)

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

- We responded to 8,862 [planning consultations](#)
- We secured 59 prosecutions for environmental offences in 2021
- We generated £37m in timber income

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

- We received over 28,000 general enquiries via phone or email⁴
- We noted a 2% [gender pay gap \(2.5% in 2020/21\)](#)
- We spent £255m

¹ SSSI (Site of Special Scientific Interest), AONB (Area of Outstanding Natural Beauty), NNR (National Nature Reserve)

² via our Permitting Service

³ (or multiple events)

⁴ via our Customer Hub

Key risks summary

As an organisation with diverse roles and responsibilities, we are managing several key risks and issues to mitigate their impact on the delivery of our work. As outlined in our [Accountability Report](#), risks to delivering our objectives are identified, assessed, managed, reviewed and recorded through risk registers at various levels of the business. Our strategic risk register included the following key risks:

Failure of Assets

Our assets include major infrastructure such as reservoirs and flood assets, as well as vast areas of Welsh Government woodland estate. A failure in these assets could have a major impact on the general public, so we put a lot of effort into managing our assets to agreed standards. There are established systems for inspection and repair of flood risk assets and although performance remains high, improvements to our processes are being made and others being planned. These will further improve our targeting of maintenance work to high-risk assets and locations and refresh our organisational strategies on asset management. We are in a much better position on managing the reservoir risk with us being compliant with 'Measures in The Interest of Safety'. See [WBO4: Reduce the risk...](#) for more around this.

Finance

We depend on Welsh Government grant-in-aid for just over half of our funding, in addition to commercial income and income from regulatory charges. A significant piece of work was undertaken to ensure that the funding needed to deliver our statutory requirements was secured and additionally the defined priorities that go beyond our minimum statutory commitment. We continue to maximise our ways of generating income to help us in our delivery. See our [Finance summary](#) for more around this.

Incident response

We have statutory duties for incident management as a category 1 responder under the Civil Contingencies Act with responsibilities to work with our partners to manage and mitigate the impacts on people and the environment of environmental incidents such as flooding, drought and environmental pollution. We rely on our skilled staff, systems, and procedures to mount our incident response, and owing to changes to some staff contracts, additional resource has been added to the rota system. This was a significant piece of work, successfully delivered and when staff are fully trained (through 22/23), the rota system will be fully resourced. See [Incident response through the pandemic](#) for more around our incident response activity.

Recruitment

The external recruitment market has changed significantly in recent times. There are a significant number of posts being advertised right across the marketplace, and it is now a jobseeker's market. Failure to recruit is a significant risk across the business, the problem is particularly acute in some areas. The risk has been developed and escalated rapidly and now sits on our Strategic risk register as one of the most significant risks facing us. See [Effectiveness of internal controls](#) for more around this.

Delivery

This is very closely linked to both the Finance and the Recruitment risks. For us to deliver all our services and functions, we need both security of funding and adequate staff resources in place. This was an escalating risk during the year and although budgets and Business Plans have been agreed, this will continue to be closely monitored until we are comfortable that the risk has been reduced sufficiently. See our [‘Finance summary’](#) for more around this.

Compliance

We have maintained a close focus on this risk throughout the year, and it has been subject to regular scrutiny by the Audit and Risk Assurance Committee. A number of significant pieces of work that will go towards mitigating this risk, around organisational assurance, governance and improvements to the second line and associated controls had begun and will continue to progress throughout the year in with a view to strengthening internal controls. See [‘Effectiveness of internal controls’](#) for more around this.

Finance summary

Funding and how we spent our money

Our total income for the year was £88million. In addition, the Welsh Government provided £130million Grant in Aid and other grants towards a range of outcomes, of which £38million was allocated to flood and coastal risk management. In the financial statements, Grant in Aid is treated as a contribution from a controlling authority and not a source of income.

In 2021/22, our expenditure increased from £225million to £255 million. The change in expenditure is due to several reasons including an increase in staff costs mainly due to pensions, delivery of our capital programmes and the valuation of our timber felled during the year. Our total funding and spend distribution:

- Funding by type: Welsh Government grant (60% / £130m), Charges (17% / £37m), Commercial and other income (22% / £48m), European and other external (1% / £2m)
- Expenditure by type: Staff costs (47% / £119m), Capital works expensed in year (10% / £26m), Other expenditure (43% / £110m)

Managing our money

In 2021/22, our 'core' funding from Welsh Government remained at the same cash levels as the previous year (before that was reduced as a consequence of the response to the Covid-19 pandemic). In addition, Welsh Government provided other funding during the financial year to meet budget pressures agreed with Welsh Government. Also, WG continued to provide us with specific grant funding for programmes targeted at addressing the climate and nature emergency. Our timber income also increased due to the buoyant market and that income has all been re-invested into forestry. We have managed to hold our charge income levels at a similar level to previous financial years. The budget was scrutinised and approved by the Executive Team and Board.

Future look

We have published our Business Plan for 2022/23 which sets out our priorities for the financial year ahead. Our current Corporate Plan runs until 2023. We have set our plans based on expected resources, including Grant in Aid, charges and commercial income allocations and estimates. Charge income tends to be relatively stable, but our commercial income can be less predictable as it's very sensitive to exchange rate changes which affect timber prices. We have indicative Grant in Aid allocations for 2023/24 onwards which will help with our planning. We are also working closely with Welsh Government on what we can achieve with the approved levels of funding that will be made available, with an ongoing review of the funding and associated service levels which may attract additional funding or result in acceptable changes to levels of service.

Non-current assets

The value of our non-current assets was £2,535million at 31 March 2022, a 21% (£434million) increase compared to last financial year. The most significant component is the value of the forest estate and biological assets which accounts for £2,181million of the

total and the strong valuation of the crops on the estate was the main reason for the large increase.

Payment of trade and other payables

We have a commitment to pay 95% of suppliers within 30 days and we aim to exceed this target wherever possible. Performance for the whole year did fall below that target (83.7%). This was an issue we tackled and by March 2022 we were above the 95% threshold.

Debtor performance

Our continued management of commercial debt has seen a slight increase in commercial debt, with the average number of days for customers to pay reduced to 1 day compared to 3 days in 2020/21.

Our management of regulatory debt has seen a decrease in the level of debt from 5.6% in 2020/21 to 2.91% at the end of 2021/22.

NRW's expected credit loss is £0.1million as at 31 March 2022.

Going Concern

The Statement of Financial Position at 31 March 2022 shows positive taxpayers' equity of £2,437million. The future financing of our liabilities is to be met by the Welsh Government Grant in Aid and the application of future income. We have an approved Business Plan for 2022/23. Therefore, it is appropriate to adopt a going concern basis to prepare the Financial Statements.

Pensions

The pension liability is disclosed in the Financial Statements based on International Accounting Standard 19. The liability has decreased for the Local Government Pension Scheme from £106.6million to £54.4million in the year.

This is different from the basis used for funding calculations. The Environment Agency Pension Fund has estimated that it had enough assets to meet 110% of its expected future liabilities at 31 March 2022.

Auditors

Our accounts are audited by the Auditor General for Wales. The audit fee for 2021/22 was £193k.

Other reports

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

Performance summary

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

At the end of the 2021/22 year our Business Plan dashboard included 30 measures⁵, across 20 topics. At year end, of those measures:

- 22 were Green (i.e. achieved target or milestone)
- 6 were Amber (i.e. close to target or milestone)
- 2 were Red (i.e. missed target or milestone)

Comparing performance with the previous year (2020/21), at the end of 2021/22 we had one more green measure, with six less measures amber or red (and the 2021/22 dashboard reflected five less measures overall⁶). Reports for previous years can also be viewed via our [Annual report and accounts webpage](#).

In the coming year we will be developing our new Corporate Plan – including our Well-being Objectives and related indicators.

⁵ Some measures were removed from this dashboard half way through the year, and one measure was added. The in year removed measures are not included within this year end measures figure

⁶ 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 (WBO), we outline:

- year end position⁷ for each of our Business Plan dashboard measures;
- some of our planned priority activity for the coming year;
- a number of delivery examples related to the Well-being Objective (some of which relate to a number of Well-being Objectives)

Some wider reflections on the approach we have taken to our annual reporting are also included in relation to: Wales' Well-being Goals (see below), Area Statements; Biodiversity and Ecosystems Resilience.

Wales' Well-being Goals: In the following part of this annual report and accounts we have also indicated a number of item relationships with Wales' Well-being Goals⁸. Selected linked Goals are indicated **in bold** with any 'main' linked Goals **underlined**.



*E.g.: If the line below was included for an item it would reflect “**Goal 6 – A globally responsible Wales**” is the ‘main’ related Goal, and that “**Goal 3 – A healthier Wales**” and “**Goal 4 – A more equal Wales**”, are also related to it*

*e.g. Linked Wales' Goals: 1, 2, **3**, **4**, 5, **6**, 7*

⁷ To see our in-year reported positions on all these measures, please refer to our published NRW Board papers [here](#).

⁸ To find out about Wales Well-being Goals, please see [Wales' Well-being Goals webpages](#). Or, for more on the Goals' relevance to the [UN's Sustainable Development Goals \(SDGs\)](#), please see [SDGs' relationship with Wales' National Indicators and Wales' Well-being Goals](#).

WBO1: Champion the Welsh environment and the sustainable management of Wales' natural resources

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

Linked Wales' Goals: [1](#), [2](#), [3](#), [4](#), [5](#), [6](#), [7](#)

Reflecting on our **Business Plan dashboard progress for 2021/22**, we:

- *Completed actions on National Nature Reserves on NRW managed land*, with 365 planned priority actions complete at year end. Measure status: Green
- *Verified Glastir woodland grants applications*, with over 200 applications now verified across the creation and restoration grant scheme rounds. Measure status: Green
- *Supported the National Marine Plan*, with enhancement and restoration principles guidance signed off. Measure status: Green
- *Encouraged use of the latest State of Natural Resources Report*, listening to feedback from users and acting to support required systems changes. Measure status: Green
- *Used Area Statements within our organisation*, framing our future place plans around Area Statement priorities and opportunities. Measure status: Green
- *Continued working with others to develop a shared 2050 vision for Wales' natural environment (Natur a Ni)*, launching the campaign and future plan for development. Measure status: Green

Looking forward, our [Business Plan for 2022/23](#) includes our priority commitments for the coming year, including that **next year we will**:

- *Deliver our Climate Change and Decarbonisation Change Programme*
- *Develop and begin to implement our Monitoring Strategy, improving the quality of our environmental monitoring data and processes*
- *Contribute to Well-being Assessments and Well-being Plans using our Area Statements as a focus for local environmental issues*
- *Facilitate Nature and Us - developing a shared vision for the environment to 2050 and action for the next 10 years*

We have included more detail on a number of the above final measure positions as part of the **delivery examples from 2021/22** which follow...

The state of natural resources and our future focus

The [State of Natural Resources Report \(SoNaRR\)](#) outlined the need to transform the systems through which society is impacting on the environment - to enable Wales to achieve the sustainable management of natural resources. SoNaRR, is a statutory five yearly report which aims to inform Welsh Government policy development, local authority planning and Area Statements. Over and above the need for sustained action through traditional environmental regulation and management, the report concluded that for Wales to achieve the Sustainable Management of Natural Resources (SMNR) we need to transform the way we live and the systems that support our way of life.

In calling for a transformation in the energy, transport and food systems (the three largest impactors on the global environment) the report echoed [UN IPCC](#) and [IPBES](#) reports⁹. Given that many people are pushing the need for such a systems approach, it is hard to pin down exactly the impact the SoNaRR report has had. We have however, heard from local authorities, civil society groups, such as Wales TUC, and Welsh Government that they have taken note of the report and are using it to inform their thinking on action to address the nature and climate emergencies.

How we use the Area Statements

We use [Area Statements](#) through reflecting the themes arising from these within the Place plan for each of our organisation's operational areas (North East Wales, North West Wales, Mid Wales, South East Wales, South Central Wales, and South West Wales). For example, the South East Area Statement has four themes (Climate Ready Gwent; Linking Our Landscapes; Healthy Active Connected; Ways of Working), and the South East Place Plan's six themes incorporates these themes within it. Reflecting Area Statements within our Place Plans in this way ensures the Area Statements are truly embedded into our Operations. The Area Statement for Marine also underpins the annual Marine Programme for Wales.

Service Plans have also taken into account Area Statements. So, for example, the Land Stewardship Service Plan was iteratively developed and combined Area Statement priorities within a national framework.

Area Statements are not frozen in time and will evolve iteratively as engagement increases and new evidence is gathered, leading to new ideas and working across boundaries.

Linked Wales' Goals: [1](#), [2](#), [3](#), [4](#), [5](#), [6](#), [7](#)

⁹ UN IPCC (The United Nations' Intergovernmental Panel on Climate Change) and IPBES (The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services)

Ecological enhancement features in coastal defence structures

Over the past year we have been developing guidance documents and training toolkits that can be used to support an increase in the use of ecological enhancement features (such as artificial rock pools and living seawall panels) within coastal defence structures. The use of such features forms an integral part of the Marine Area Statement theme to raise awareness of and increase the use of nature-based solutions at the coast. Features such as artificial rock pools and living seawall panels help to support improvements in biodiversity on coastal defence structures by mimicking surface properties and complexity found on natural shorelines.

The guidance materials are targeted at flood risk and asset management teams within our organisation and wider stakeholders who have coastal defence operations or who own assets along the coast such as local authorities, Network Rail and Welsh Water. They provide a summary of the evidence base of the use of the features to date, indicative stepped processes to aid practitioners through the various stages involved with projects and case studies of their use in Wales.

During the process, we worked with a wide range of stakeholders to identify some of the key barriers and challenges to using the features within their operations and we have identified a series of actions to help to overcome these. The success of many of these projects will require cross-collaboration amongst different organisations (including our organisation, Universities, industry, and suppliers) that have established expertise in different aspects of the processes. Over the next year we will set up a trial project to deploy features with teams internally or wider stakeholders.

Linked Wales' Goals: 1, 2, 3, 4, 5, 6, 7

Nature and Us

Nature and Us is a national conversation we have hosted. The aim is to offer involvement opportunities for people in Wales to think about the way our actions impact on the natural environment, to consider how society's relationship with nature needs to change now and over the next 30 years.

The Nature and Us programme seeks to involve everyone in Wales in a national conversation about the future of the natural environment. The dual aims of the initiative are to increase awareness of the nature and climate emergency, and to create a platform to foster collaboration between public, private and third sectors (to trial new ideas, launch experiments and support innovation for action). In designing our approach we are embodying the [SD and SMNR principles](#) – particularly thinking long term through using Futures tools, exploring involvement, participation and collaboration. We have had to consider the range of communication and engagement tools that we have available, and how we can make the initiative as engaging as possible to a wide range of audiences. We spoke to a range of organisations representing seldom heard voices to understand their needs, and as a result, developed different involvement methods and additional resources to enable small groups to be able to participate. We also commissioned two 'writers in residence' to help people engage.

We have received the highest number of responses for an NRW engagement exercise to date and there are lots of positives from the exercise on which to build. However there are still gaps in the demographic mix of respondents. We need to work even harder to engage young people and seldom heard voices. We need to be more local or personal in our approach to discussing “big issues” and focus on the accessibility of the language we use.

This work will continue in 2022-23 as we look to consolidate the relationships we have built so far.

Linked Wales’ Goals: 1, 2, 3, 4, 5, 6, 7

WBO2: Ensure land and water in Wales is managed sustainably in an integrated way

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

Linked Wales' Goals: [1](#), [2](#), [3](#), [4](#), [5](#), [6](#), [7](#)

Reflecting on our **Business Plan dashboard progress for 2021/22**, we:

- *Acted to restore Welsh Peatlands*, with 785 hectares of peatland restoration activity delivered across Wales. Measure status: Green
- *Created new woodland on the Welsh Government Woodland Estate, identifying/acquiring 157 hectares and planting 27 hectares¹⁰*. Measure status: Amber
- *Maintained the UK Woodland Assurance Standard*, retaining certification following the latest external audit. Measure status: Green
- *Delivered water related investigations and responses*, with 2,268 investigations delivered of 2,597 required, and plan consultations reviewed and responded to¹¹. Measure status: Red
- *Progressed Wales Marine Protected Area network actions*, with all relevant projects completed. Measure status: Green

Looking forward, our [Business Plan for 2022/23](#) includes our priority commitments for the coming year, including that **next year we will**:

- *Deliver the Woodland Creation Programme (including Welsh Government's 'Deep Dive' Recommendations) and related services*
- *Implement the 3rd cycle of River Basin Management Plans with partners and key stakeholders, delivering improvements*
- *Deliver the next phase of the Metal Mines Remediation Programme to deal with the legacy of contaminated land, impacts on water quality and mine hazards*

We have included more detail on a number of the above final measure positions as part of the **delivery examples from 2021/22** which follow...

¹⁰ Having decided to delay planting two sites to allow for further stakeholder engagement

¹¹ Following plans publication next year, our focus will be on delivery, including in Opportunity Catchments

Wales' water environment - state, challenges and measures

River Basin Management Plans outline the state of Wales' water environment and action needed to maintain and improve it. We have consulted on revised River Basin Management Plans to be published later this year which will influence future improvement priorities

Water and water environments are essential for life and livelihoods. Water is a vital resource for businesses and agriculture, and critical to ensure the economy will prosper. As required by the Water Environment Regulations¹², River Basin Management Plans (RBMPs) take a holistic, catchment to coast approach, to manage pressures on the water environment and the actions required to protect and improve them. The most recent assessment of the status of Wales' water bodies (in 2021) found 40% of these were achieving good (or better) status.

Over 2021/22 we delivered 664 investigations related to improving or maintaining the status of waters around Wales, bringing the total completed to 2,268 out of a programme of 2,597. These investigations greatly improve our understanding of the reasons why some water bodies are not achieving good status. Action undertaken linked to past investigations has resulted in further improvements in the water environment. Though fewer investigations were completed than planned during 2021/22, those investigations completed will support the future improvement or maintenance of water environments around Wales. As River Basin Management Plans are updated on a 6 year cycle we have now [consulted on and developed new plans](#), with plans for the Dee and Western Wales expected to launch in Summer 2022/23¹³.

To influence future water company investment we have also been working with Welsh Government, Ofwat (the Water Services Regulation Authority) and water companies. Some of this future investment will be focussed on SAC (Special Areas of Conservation) catchments, [storm overflows](#), and RBMPs - though all environmental legislative areas relevant to water companies in Wales will be considered.

Future forestry felling licences

[Welsh Government's Agriculture \(Wales\) White Paper consultation](#) of December 2020 contained a proposal to provide us with powers to amend and add conditions to felling licences. Once passed into law this will help us ensure all forestry permits we issue contribute to the sustainable management of natural resources. Forestry felling licences are the only permit we issue that we do not have the ability to amend, suspend or revoke subsequently if required, or to add more general conditions beyond those very tightly defined in the Forestry Act 1967. The Minister for Climate Change, Julie James MS, made a statement on the significance of this at a Senedd plenary in Dec 2021, referring mainly to red squirrels but acknowledging wider application too. A proposed legislative change to address this will be part of the Agriculture (Wales) Bill to be considered by the Senedd in early autumn 2022 and scheduled for Royal Assent in early summer 2023.

¹² [The Water Environment \(Water Framework Directive\) \(England and Wales\) Regulations 2017](#)

¹³ The plan for the Severn, led by the Environment Agency, is expected to launch later in the year

In the last year we have been helping Welsh Government in our advisory role, explaining how the anticipated new powers may be used and providing evidence of possible impacts. There has been considerable stakeholder interest, particularly from environmental non-governmental organisations but also from the forestry industry, and they have been kept fully engaged through a sub-group of NRW's Wales Land Management Forum chaired by Welsh Government. The forestry industry has made significant advances in its environmental performance with the adoption of the UK Forestry Standard in 1998 and the granting of these additional powers will enable us to take account of important site-specific factors. This will be in keeping with the Standard and will help further safeguard the natural resources of Wales.

Linked Wales' Goals: 1, 2, 3, 4, 5, 6, 7

Enhancing the long-term viability and sustainability of livestock farms

The [Mid Wales Area Statement](#) supported a farmer-led research initiative in South Powys to address local evidence gaps identified by livestock farmers who are wanting to enhance the long-term viability and sustainability of their farms. Livestock production, which relies on grassland productivity, plays an important role in securing sustainable protein production, as well as enhancing carbon uptake and managing biodiversity for multiple ecosystem services.

Research on the impact of grazing on ecosystems has often focused on relatively simple comparisons between grazed and non-grazed – an approach that can miss significant nuances, especially at the local level. To fill this gap the project investigated how local knowledge – on grazing type and intensity – is critical in determining impacts on soil health and soil carbon stocks. The project was funded by the AHDB/BBSRC¹⁴ net-zero partnership and aimed to identify optimal grazing management applicable to the local conditions and quantify their benefits to soil biodiversity, soil carbon content and grassland sustainability.

The project also identified ways to communicate this complex topic to other farmers to elicit a potential change in behaviour and the development of more sustainable farming practices. Researchers from University of Gloucestershire, Royal Agricultural University, and Cynidr Consulting with support from NRW and Lantra have worked together with farmer partners to co-design principles to minimise livestock grazing impacts on ecosystems. The project delivered towards various Area Statement themes and priorities in Mid Wales and is an exemplar of partnership working and of the involved partners' shared interest in SMNR.

Linked Wales' Goals: 1, 2, 3, 4, 5, 6, 7

¹⁴ [Agriculture and Horticulture Development Board \(AHDB\)](#) and [Biotechnology and Biological Sciences Research Council \(BBSRC\)](#)

Preventing pollution upstream

Our Dairy project has supported farmers to make the most of the nutrients within the slurry their stock generates by providing advice and guidance on storage and beneficial use, supporting their farm business, and protecting the quality of our rivers. Our Dairy project has been actively supporting farmers to make the best use of the nutrients in their slurry and protect the quality of our rivers during 21/22.

The project has visited more than 80 new farms during the year and made more than 140 follow up visits to farms previously visited. During the follow up visits more than 70 significant improvements were recorded, as well as numerous minor repairs such as repaired guttering.

Increases in available slurry storage have also been recorded at a number of farms with the installation of earth bank slurry lagoons and above ground storage tanks, with a number of planning applications on a range of farms across Wales in the pipeline. This valuable on farm work is helping to protect our watercourses whilst supporting farm businesses to make the most of their available nutrient resource.

Linked Wales' Goals: [1](#), [2](#), [3](#), [4](#), [5](#), [6](#), [7](#)

WBO3: Improve the resilience and quality of our ecosystems

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

Linked Wales' Goals: [1](#), [2](#), [3](#), [4](#), [5](#), [6](#), [7](#)

Reflecting on our **Business Plan dashboard progress for 2021/22**, we:

- *Acted on the Climate Emergency*, and reported on the delivery of priorities and also set up a new Climate Change and Decarbonisation Team. Measure status: Amber
- *Took Biodiversity action*, delivering for Vital Nature and putting biodiversity at the core of our work with a biodiversity work programme produced across all our functions. Measure status: Green
- *Improved protected sites features condition*, with the majority of actions completed or underway at year end. Measure status: Green
- *Helped species in decline, or at the edge of extinction*, including some of our rarest species, though we have not reported on development of priorities as planned¹⁵. Measure status: Amber

Looking forward, our [Business Plan for 2022/23](#) includes our priority commitments for the coming year, including that **next year we will**:

- *Deliver the Declining Species Programme to target declining species or those on the edge of extinction*
- *Deliver Habitat Restoration Programmes, including developing a National Grassland Action Plan*
- *Deliver our EU LIFE projects*
- *Work with Welsh Government on the 'Deep Dive' on biodiversity and support delivery of the recommendations*

We have included more detail on a number of the above final measure positions as part of the **delivery examples from 2021/22** which follow...

¹⁵ in order to focus on a review of protected species [Wildlife and Countryside Act](#) (Schedules 5 and 8, reflecting protected animals and plants)

Our role in tackling the Climate and Nature emergencies

Addressing the climate and nature crises is a prerequisite to the attainment of sustainable management of Wales' natural resources so it is key to delivering our Well-being Objectives. Since the declaration of a Climate Emergency in 2019, we have been working to mainstream consideration of climate change across our work programmes, and this remains a key priority.

Managing our Estate, particularly restoration of peatlands and expansion of woodland to increase storage of carbon on the more than 7% of Wales' land that we manage is essential. The [National Peatland Action Programme](#) is a great example where we are restoring around 700 hectares of peatland each year across Wales resulting in biodiversity benefits while reducing carbon emissions. In terms of our buildings and fleet, we have been modelling the implications of post-Covid hybrid working and the considerable potential that it provides to reduce our organisational carbon footprint through reduced commuting. We have developed a set of principles and standards that will drive the current review of our buildings to both reduce their energy use and make them more resilient to future extreme weather. As well as planning for the widespread installation of EV charging at our sites, we have introduced Hydrogenated Vegetable Oil as a transitional fuel for vehicles and machinery that cannot yet be replaced by electric equivalents, resulting in around 90% reduction in emissions.

Sharing our experience with the Welsh public sector through regional workshops and collaborative groups is helping accelerate wider action. We led collaboration amongst the UK environmental agencies to make the case for wider use of nature-based solutions at CoP26 in Glasgow and through Wales Climate Week events too. CoP26 provided an opportunity to promote awareness of the climate change challenges we face and make the case for rapid action across Wales – the equivalent biodiversity conference (CoP15) later in 2022 should provide a similar occasion for nature.

Developing Natur am Byth

Through partnership working with nine environmental charities, 'Natur am Byth' is acting to save species from extinction and reconnect people to nature - improving landscapes and coastal areas across Wales. Natur am Byth partnership¹⁶ has been taking forwards one of Wales' largest natural heritage and outreach programmes to save species from extinction and reconnect people to nature. We expect to inspire people in Wales from all walks of life to take action – mobilising diverse communities to care for the wildlife on their doorstep. The partnership sees us united with nine environmental charities, and provides much needed capacity in the natural heritage sector to save threatened species.

In developing the programme the partnership mapped 62 threatened species against themes and identified the landscapes and coastal areas to target conservation and engagement. Nine areas around Wales now form our focus.

Natur am Byth is unique in integrating terrestrial and marine management issues - supporting vulnerable marine species as well as those on land and freshwater. In most areas we will employ an integrated approach across habitats to deliver multiple benefits for

¹⁶ A partnership involving our organisation and: [Amphibian and Reptile Conservation](#), [Bat Conservation Trust](#), [Buglife](#), [Bumblebee Conservation Trust](#), [Butterfly Conservation](#), [Plantlife](#), [Marine Conservation Society](#), [RSPB](#) and [Vincent Wildlife Trust](#)

rare species. Some areas include isolated populations of species on the brink of extinction, which require specific action to ensure they continue to exist.

An award was made of over £900k in June 2021 from the National Lottery Heritage Fund to progress with the initial project development, and the delivery phase application is scheduled for later next year. #naturambyth

Linked Wales' Goals: 1, 2, 3, 4, 5, 6, 7

WBO4: Reduce the risk to people and communities from environmental hazards such as flooding and pollution

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

Linked Wales' Goals: 1, 2, 3, 4, 5, 6, 7

Reflecting on our **Business Plan dashboard progress for 2021/22**, we:

- *Maintained flood risk assets*, with 98.1% of flood risk assets in high risk systems at target condition at year end. Measure status: Green
- *Responded to incidents*, responding to 98% of incidents initially assessed as high category within four hours. Measure status: Green
- *Protected more properties from flooding*, with reduced or sustained protection delivered to 1,081 properties this financial year, exceeding our target. Measure status: Green
- *Implemented Flood Review recommendations*, a number remaining outstanding at year end to be delivered over the coming months. Measure status: Amber.
- *Furthered work to reduce metal mine pollution*, including works at Cwm Rheidol and Abbey Consols. Although not all work initially planned has been completed, other work has been brought forwards. Measure status: Amber

Looking forward, our [Business Plan for 2022/23](#) includes our priority commitments for the coming year, including that **next year we will**:

- *Deliver our maintenance programmes to ensure our flood risk management defences continue to provide sustained protection to communities at risk*
- *Investigate and deliver options to reduce the risk of flooding to communities through the Flood Risk Management Capital Programme*
- *Publish updated Flood Risk Management Plans for Wales, which contain the strategic priorities and plans for all catchments across Wales*
- *Undertake a review of our approach to environmental incidents in our remit*

We have included more detail on a number of the above final measure positions as part of the **delivery examples from 2021/22** which follow...

Incident response through the pandemic

We have an important legal responsibility¹⁷ to respond directly to incidents that are within our remit, and to support the incident management roles of other organisations such as the emergency services, in order to help reduce the risk to people and communities from environmental hazards such as flooding and pollution. We must also have plans in place to make sure that we can continue to deliver our functions, so far as is reasonably practicable, during a disruption.

The Covid-19 pandemic led to the biggest disruption to working practices we have ever experienced. We managed our response to this by standing up our strategic and tactical incident response groups, informed by our pandemic planning and earlier organisational response to the UK's exit from the European Union. We were able to rapidly transition to majority home working and focused on safeguarding the wellbeing, health and safety of our staff while continuing to deliver core services, including incident response.

The number of environmental incidents reported to us increased during the pandemic, from 6,270 in 2019/20 to 7,350 in 2020/21 and 7,670 in 2021/22, which we believe in part reflects the fact that more people are spending time outdoors in the Welsh countryside and are therefore more likely to observe and report incidents. We continued to respond to these incident reports, including through attendance where this was deemed necessary according to our guidance and with appropriate risk assessments in place. We also engaged with other Category 1 Responders, through the Local Resilience Forums, to help manage the wider public sector response to the pandemic and have provided mutual aid where this was requested.

Linked Wales' Goals: 1, 2, 3, 4, 5, 6, 7

Regulation through lockdowns

Our regulatory work is important in protecting the environment, human health, and wellbeing. While restrictions were put in place to respond to the Coronavirus pandemic, we put measures in place to maintain our service as far as possible, while ensuring that our staff and others were kept safe and well.

Early during the pandemic we contacted all of our regulated industry, waste and water operators detailing our expectations in relation to environmental protection. It was explained that whilst we aspired for all operators to continue to meet the conditions of their permits, we recognised that in these exceptional times this may not be possible. We therefore asked operators to proactively engage with us so that any issues of non-compliance could be discussed on a case-by-case basis.

We made 19 temporary regulatory decisions to facilitate regulation in line with social distancing and reflect the rapid change of circumstances. An example of a decision made to facilitate socially distanced regulation was the relaxation of the requirement for signatures in person on Waste Transfer Notes documentation and Trans-frontier shipment documentation.

Covid-19 restrictions heavily impacted our planned compliance work; however, we prioritised site visits and responded to issues of the highest environmental and public risk.

¹⁷ as a Category 1 Responder under the Civil Contingencies Act (2004)

We developed new ways of working to continue compliance assessments, using phone calls, focused visits to priority sites and a range of alternative methods for gathering intelligence. In some cases, we successfully used remote inspection methods or a hybrid approach where documentation was audited remotely prior to a site visit. Feedback from operators on these methods has been generally positive and we have also learned that remote compliance work requires extra preparation to be successful.

Linked Wales' Goals: [1](#), [2](#), [3](#), [4](#), [5](#), [6](#), [7](#)

Flood Review Programme – learning lessons and implementing improvements

The Flood Recovery & Review Implementation Programme is focused on enhancing our professional Flood Risk & Incident Management service for Wales, which in turn will ensure a better future for people, communities, and business in Wales at risk of flooding and for NRW staff involved in the management and recovery of incidents

February 2020 saw some of the most devastating floods Wales has seen in a generation. Some of our services were significantly stretched in these extreme events, and we undertook a review to assess the lessons learnt. Our Flood Review report was published in October 2020, with 74 actions to improve NRW's operations in flood incidents. We have been delivering the actions through the Flood Recovery & Review Implementation Programme, and we made good progress in 2021/22, with 46 of the 74 actions complete at year end. We are making progress on the remaining actions, with many requiring delivery over the long term.

The challenges from more frequent extreme weather events associated with climate change are significant, and set to rise. Implementing the recommendations from the Flood Review will improve our services to the public of Wales during flooding incidents, and help deliver our Well-being Objectives. They will also help our staff, by putting in place measures to improve the resilience of our response. We have also reviewed our land management practices, and are making improvements there. Learning from incidents and implementing improvements is a key element of an adaptive approach using evidence to help prevent risks in the long term.

Linked Wales' Goals: [1](#), [2](#), [3](#), [4](#), [5](#), [6](#), [7](#)

Regulatory Approaches and Health

Thirty-six environmental permits for waste treatment installations have been reviewed and upgraded to ensure these installations are performing to the highest environmental standards. This involved reviewing existing permits against the latest industry best practice – the EU Best Available Techniques Reference Document (BREF).

These permit reviews were a requirement of the Industrial Emissions Directive and ensures that all associated facilities continue to use the best techniques for preventing or minimising emissions and impacts on the environment. Techniques can include both the technology used and the way an installation is designed, built, maintained, operated, and decommissioned.

Large facilities using a wide range of technologies to treat waste were included in the review - such as heat treatment to sterilise hazardous clinical wastes, biological Anaerobic Digestion (AD) processes, and the recovery of end of life fridges. Where improvements have been identified and implemented, this will lead to enhanced environmental performance and reduced emissions.

New conditions for AD sites included improvements to secondary containment measures and additional requirements for monitoring and controlling of key waste and process parameters. This helps to ensure stability in the digester and reduce the potential of odour nuisance. It also provides an early warning of any system failure, thereby reducing risk of explosions and loss of containment. Sites that accept and recover end of life fridges will have a tighter limit for releases of the harmful pollutant chlorofluorocarbons (CFCs).

The permits have now been re-issued with updated conditions that will improve the environment management systems, providing a higher level of environmental performance with a commitment of continuous improvement.

Linked Wales' Goals: [1](#), [2](#), [3](#), [4](#), [5](#), [6](#), [7](#)

WBO5: Help people live healthier and more fulfilled lives

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

Linked Wales' Goals: 1, 2, 3, 4, 5, 6, 7

Reflecting on our **Business Plan dashboard progress for 2021/22**, we:

- *Delivered health and educator training*, including for Wales Outdoor Learning Week 2022 and consolidated our thinking around health policy. Measure status: Green

Looking forward, our [Business Plan for 2022/23](#) includes our priority commitments for the coming year, including that **next year we will**:

- *Improve our provision for visitors whether local or from further afield in the woodlands and National Nature Reserves we manage*
- *Advise Welsh Government on its access reform programme and contribute to the review of the Wales Coast Path and the integration with wider trail networks*

We have included more detail on a number of the above final measure positions as part of the **delivery examples from 2021/22** which follow...

People enjoying their local environment

Encouraging and facilitating healthy activities across the Estate we manage – supporting better mental and physical health. As part of encouraging people to get outside to improve their physical and mental health we have made improvements across Wales for sites we manage. Examples included:

- Improving signage, wayfinding and trailside interpretation for the 266 waymarked trails on the estate we manage - enhancing visitor experience at these woodlands and National Nature reserves
- Displaying new heritage interpretation at our visitor centres, including explaining the cultural significance of these site features
- A promotional film about visiting our woodlands and reserves
- Improving the photography stock reflecting visits to recreation related sites
- Providing new information around site and trail accessibility for visitors – enabling people to decide which trails would be best for them to visit
- Maintaining 47 bike trails
- A record number of visits to top visitor sites (post Covid)
- Website status updates in relation to sites – enabling visitors to access the latest updates on any changes that might impact the visits.

We also continued to welcome permissions applications for recreational events, including cycling, running, horse riding and triathlons – encouraging and supporting outdoor exercise across sites we manage. We are also working on a new IT system, to support these applications and the consultation around them in future.

We have been planning further improvements to our support for community woodland projects, with [Llais Y Goedwig](#) supporting new and existing projects including: [Coed Y Bont](#), [Spirit of Llynfi Woodland](#), [Llyn Parc Mawr](#) and [Golygfa Gwydyr](#). We recognise the many benefits such projects provide, e.g.; team building, ‘green gym’ exercise, a chance to meet other people in your community, make friends and be a part of something positive – all contributing to better mental and physical health¹⁸.

Linked Wales’ Goals: 1, 2, 3, 4, 5, 6, 7

Learning for life - Learning in, learning about and learning for our natural environment

We have provided delivery materials and resources for use across Wales, including coverage of the breadth of the new Curriculum for Wales, whilst supporting a natural progression for all. Over the last year, our offer to the education sector has expanded to include a variety of new resources and a blended approach of face to face and webinar-based training. The nature and climate emergencies and the need to

¹⁸ This activity also contributes to a number of the [trees and timber deep dive](#) recommendations

sustainably manage our natural resources run throughout our [education resources](#) - brought to life through activity plans, resource cards, games and information notes to support all educators and settings to deliver across the new [Curriculum for Wales](#). Topics cover everything from [Peatlands](#) and the [Wales Coast Path](#) to [Climate Change](#) with one educator commenting, "Great course, I'm leaving with a positive, motivational message to take action". Other sessions look at early childhood and how nature can help us be happy and healthy and attract participants including childminders and Meithrin (Nursery) staff to name a few, an opportunity to help to start laying down positive environmental behaviours from an early age.

Two strategic projects have started with Flintshire and Carmarthenshire with the aim of increasing the amount of time spent teaching outside and the amount of environmental knowledge for staff and learners alike. Using the 'Mantle of the Expert' technique we played out how a mock pollution incident can be used to teach across the curriculum with one [teacher](#) describing putting it into practice with her learners as, "one of the most memorable, AMAZING weeks in my teaching career!"

Our wider offer now includes [a monthly newsletter](#) packed with examples of good practice, our latest resources, interesting campaigns and funding updates and we are always looking for [case studies](#) to highlight good practice. All education settings also have the opportunity to engage with [Acorn Antics](#) and [Wales Outdoor Learning Week](#), two campaigns which promote a connection to nature and positive environmental behaviour.

WBO6: Promote successful and responsible business, using natural resources without damaging them

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

Linked Wales' Goals: 1, 2, 3, 4, 5, 6, 7

Reflecting on our **Business Plan dashboard progress for 2021/22**, we:

- *Regulated sites, and water quality discharges*, with 100% of category 1 and 2 compliance breaches with appropriate regulatory response. Measure status: Green
- *Offered 809,000m³ of timber to market*. Measure status: Green
- *Acted to implement our Commercial Strategy*, preparing our annual review. Measure status: Green
- *Updated our contribution following EU Exit*, continuing to contribute to new environmental legislation and working with others. Measure status: Green

Looking forward, our [Business Plan for 2022/23](#) includes our priority commitments for the coming year, including that **next year we will**:

- *Deliver our statutory obligations to permit, ensure compliance and take enforcement action*
- *Ensure we can deliver our regulator and advisor roles in response to the rapid changes needed to deliver Net Zero whilst balancing overall environmental concerns in line with the Regulators' Code*
- *Support Welsh Government in dealing with the legacy of centuries of mining, so works on at risk tips happen quickly*

We have included more detail on a number of the above final measure positions as part of the **delivery examples from 2021/22** which follow...

Working with others in supporting (green) recovery

Strong co-production is needed now more than ever. We are working with partners to enable the work of the Green Recovery Group. Framed around recovery from the pandemic, the group delivers against collective priorities that will deliver for the climate and nature emergencies for both people and nature. Action is driven through the multi-agency owned Green Recovery Group and the Enabling the Environment Sector Group.

The multi-sectoral owned Green Recovery Group was convened in May 2020 to identify priorities for action for a green recovery with social justice as a guiding principle. They were also tasked to develop a shared plan to stabilise the environment third sector. The Group works together to develop and support the shared implementation of collective priorities, that will deliver action and outcomes for the climate and nature emergencies for both people and nature. Within the Green Recovery work, an 'Enabling the Environment Sector Group' has been set up with representation from environmental non-governmental organisations (eNGOs) and funders to drive collaborative strategic action on grant funding in Wales and wider funding opportunities in relation to environmental/nature outcomes in Wales.

Through the work of the partnership £5.3m has been allocated, primarily through the Welsh Local Government Association to local authorities and a selection of smaller projects. The Group also helped secure 900K of funding through the National Lottery Heritage Fund to support sector sustainability in a variety of areas, including support for organisational development such as Equality, Diversity and Inclusion (EDI) training.

The proposal for a National Nature Service (NNS) has also arisen from the outputs of the group. The NNS will be a Wales-wide system that mobilises people in support of nature recovery, acting as a platform that links people with nature-based training, apprenticeships, employment, enterprise, and volunteering.

Linked Wales' Goals: [1](#), [2](#), [3](#), [4](#), [5](#), [6](#), [7](#)

Sustainable Timber Sales

We have successfully delivered a large timber sales programme and brought in £37 million this year to manage the Welsh Government Woodland Estate. In 2021/22 we held four open competition sales events and invited offers for 290 timber lots totalling over 652,000 tonnes. This is the equivalent of 809,000m³ of standing trees and we achieved 97% of our target for the year. The Welsh Government Woodland Estate is readily capable of sustaining this level of production.

The timber market rose for much of the year until it settled in early 2022. The end of year income from timber sales was £37 million, arising from some 25,000 dispatches totalling 625,000 tonnes. The average prices being received currently are at a record high. The outlook for 2022/23 is that the market will remain volatile as Covid restrictions lift and the war in Ukraine creates supply uncertainties in Western Europe.

In line with recommendations from the trees and timber deep dive¹⁸, and our [Timber Sales & Marketing Plan](#), we established a project to develop alternative methods of selling (up to 30% of) timber - seeking to secure a range of values and benefits other than just income.

Across the UK there were 13 tree-work related fatalities in the year which is an unprecedented situation, and this resulted in a Board level discussion on NRW's leadership role in Well-being, Health & Safety. We also conducted further staff training on sales contract management and took the step of terminating all our sales contracts with one customer who demonstrated unacceptable health & safety practices.

Linked Wales' Goals: [1](#), [2](#), [3](#), [4](#), [5](#), [6](#), [7](#)

Changing commercial activity

We are delivering commercial projects on the estate we manage in a way that focuses on good economic value and achieving significant social and environmental benefits.

The [Commercial Strategy 2021-2026](#) sets out the vision for how commercial activity in our organisation is going to change - better aligned with the Sustainable Management of Natural Resources and delivering positive action on the Climate and Nature emergencies. To do this we need to work with partners and stakeholders and pursue commercial projects that deliver across our 3P's – People, Planet and Prosperity. We want to be agile in diversifying and innovating across our portfolio, whilst creating better mechanisms for working in partnership and measuring our performance.

The integration of these approaches has been progressing across the year, including working closely with our partners across the renewable energy sector looking for new ways to improve our Energy Delivery service. Our Timber Sales and Marketing team have instigated a project reviewing how we can provide alternative ways of purchasing up to 30% of our timber. We have developed a Commercial Innovation Programme which is exploring the delivery of a range of new commercial projects including natural burials, e-commerce merchandising, green finance, along with linking into early-stage academic research and development opportunities. We also continue to explore other commercial opportunities in sectors across arts, culture, recreation, and tourism

We have provided renewed focus on delivering a more cohesive commercial service to partners both within our organisation, and to those we work with in other sectors. Our inaugural Commercial Network event has provided us with an opportunity to share our progress with more stakeholders externally, and we plan to continue these events into future years. Recent internal activity has also led to improvements in commercial support for areas such as filming rights and permissions - and there are further opportunities to build upon this progress within the commercial pipeline in 22/23.

Supporting renewable energy in Wales

A key focus for us in supporting delivery of renewable energy in Wales is the Deputy Minister for Climate Change's [deep dive into renewable energy](#). The deep dive sought to address opportunities and barriers to generating renewable energy to at least fully meet our energy needs, accelerating action to reduce energy demand and maximise local ownership retaining economic and social benefits in Wales.

We actively contributed to the deep dive, helped to shape recommendations and have since been proactively working to deliver recommendations relevant to us. We have been contributing to, for example: reviewing consenting mechanisms including an end-to-end review of marine licensing; developing the supporting environmental evidence base to steer sustainable renewable energy development; identifying resources for consenting and advice including securing long-term resource for our Offshore Renewable Energy Programme; streamlining offshore energy advice; supporting procurement improvements; and community engagement. We also continue to deliver our existing regulatory and advisory functions efficiently to support development of renewable energy schemes in Wales and have also advised on a number of Government consultations such as the UK National Policy Statements on Energy.

Our Commercial team have been working with Delivery teams to support the completion of the Clocaenog wind farm; engage with developers for both the Alwen and Bryn windfarms to finalise designs (pre-planning); negotiate lease terms for the Pant y Wal and Lluest y Gwynt wind farms and complete negotiations for Third party Access agreements for Foel Trawsnant and Upper Ogmere.

We have also been working closely with Welsh Government to support the setting up of the Renewable Energy Developer programme, undertaking feasibility work for Brechfa dau project and carrying out a desk top review of the wider estate to identify a pipeline of wind farm development opportunities.

Linked Wales' Goals: [1](#), [2](#), [3](#), [4](#), [5](#), [6](#), [7](#)

WBO7: Develop NRW into an excellent organisation, delivering first class customer service

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

Linked Wales' Goals: **1, 2, 3, 4, 5, 6, 7**

Reflecting on our **Business Plan dashboard progress for 2021/22**, we:

- *Acted on Equality, Diversity and Inclusion*, our Board approving our new organisational strategy for Diversity and Inclusion. Measure status: Green
- *Developed and implemented a People Strategy*, with priority actions underway or complete in line with the action plan. Measure status: Green
- *Focussed on Customer Experience*, though planned activity on customer journey mapping has not progressed as originally anticipated, and will progress in 2022/23. Measure status: Red
- *Delivered on Stakeholder Engagement*, and a related stakeholder perceptions audit is being analysed. Measure status: Green
- *Implemented our Covid-19 renewal programme*, including activity to enable or support hybrid working. Measure status: Amber

Looking forward, our [Business Plan for 2022/23](#) includes our priority commitments for the coming year, including that **next year we will**:

- *Implement Adfywio – our Renewal programme following the Covid-19 pandemic*
- *Build relationships and trust with our communities*
- *Provide funding to partners delivering priority outcomes for the environment and people of Wales*
- *Market up to 750,000 m3 timber from the Welsh Government Woodland Estate, marketing up to 30% using alternative mechanisms*

We have included more detail on a number of the above final measure positions as part of the **delivery examples from 2021/22** which follow...

Adfywio – our Renewal programme following the Covid-19 pandemic

Over the last year we established Adfywio - our Renewal programme following the Covid-19 pandemic. Adfywio seeks to learn lessons from our response to the Covid-19 pandemic, and to transform the way we provide some of our services - addressing the climate and nature emergencies, as well as assisting the people and economy of Wales to sustainably recover from the impacts of the Covid-19.

Focus areas include buildings, travel, and technology, and we have:

- Set out the core principles for accommodation that will drive the changes needed to reduce emissions, adapt to climate change, and address the nature emergency
- Identified the tools needed to enable hybrid working from locations across Wales
- Delivered several improvements including in relation to ICT systems, tools and support for remote working and room booking.
- Identified the people policies and procedures that need to change to support and enable hybrid working
- Engaged with staff to better understand attitudes to hybrid working

Linked Wales' Goals: [1](#), [2](#), [3](#), [4](#), [5](#), [6](#), [7](#)

Improving our customer service on high-volume enquiries

We have improved how we respond to customer enquiries this year, drawing on customer and staff feedback. Our updated approach has enabled us to improve our customer service and alleviate staff pressure through providing consistent and timely responses to customer requests.

Our organisation's Customer Hub received over 28,000 general enquiries last year via phone or email. As part of our customer strategy, and in line with our SMNR principles, we have proactively collaborated and engaged with staff and customers to improve how we respond to high-volume customer enquiries. Activity included how we gather and use customer insight to form the basis of our decision making and subsequent improvements to how we use technology to ensure we are delivering first class customer service.

Particular customer concerns (e.g. hunting, and general bird licences) result in a significant increase in all types of customer contact, from simple enquiries and social media activity to more complex freedom of information requests. This can impact our ability to meet expected customer service standards and also has an impact on staff across the organisation who respond to these requests. We have been more proactive when handling significant issues; Including developing standard responses which are clear and consistent - enabling us to respond more promptly to our customers with timely, accurate information at times where we have a significant volume of customer requests.

Linked Wales' Goals: [1](#), [2](#), [3](#), [4](#), [5](#), [6](#), [7](#)

Clare Pillman

Chief Executive and Accounting Officer

13 July 2022

Accountability Report

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

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

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

Our Parliamentary Accountability and Audit Report brings together additional requirements requested to demonstrate our accountability to the UK and Welsh Governments, regularity of expenditure and the opinion from our 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 2021/22.

Name	Post Holder	Length of ET Service
Chief Executive	Clare Pillman	26 February 2018 - present
Executive Director of Evidence, Policy and Permitting	Ceri Davies	1 April 2013 - present
Executive Director of Finance & Corporate Services	Rachael Cunningham	7 September 2020 – 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 Communications, Customer and Commercial	Sarah Jennings	7 September 2020 – present

Our Executive Team Register of Interests as at March 2022 is included here.

Name	Position	Interest	Individual	Role
Clare Pillman	Chief Executive	Resident in an area that may be considered for the proposed new National Park		
Ceri Davies	Executive Director of Evidence, Policy and Permitting	Executive or Non-Executive Board, Committee or Trust Membership	Personal	Member of the FLEXIS Advisory Board, Welsh European Funding Office funded project supporting energy research in Wales.
Ceri Davies	Executive Director of Evidence, Policy and Permitting	Other	Personal	Member of the Chartered Institute of Waste Management
Prys Davies	Executive Director of Corporate Strategy and Development	Executive or Non-Executive Board, Committee or Trust Membership	Personal	School Governor, Ysgol Pencae, Cardiff
Gareth O'Shea	Executive Director of Operations	No interests to declare		
Rachael Cunningham	Executive Director of Finance & Corporate Services	Executive or Non-Executive Board, Committee or Trust Membership	Personal	Trustee of Chwarae Teg Charity
Sarah Jennings	Executive Director of Communications, Customer and Commercial	Executive or Non-Executive Board, Committee or Trust Membership	Personal	Trustee of National Botanic Garden of Wales

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

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

Clare Pillman

Chief Executive and Accounting Officer

13 July 2022

Statement of Accounting Officer's Responsibilities

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

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

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

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

Governance Statement

This Statement sets out the governance structures, internal control and assurance frameworks that have operated within NRW during the financial year 2021/22 and accords with HM Treasury and Managing Welsh Public Money guidance.

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

Our governance structure

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

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

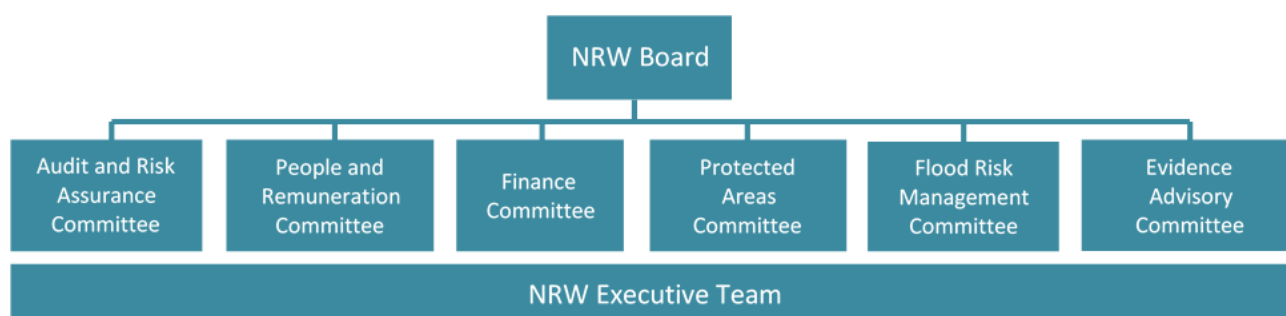
We currently have 13 remunerated Board members, led by our Chair, Sir David Henshaw, with 11 non-executive members and myself as an executive member of the Board. Professor Steve Ormerod is the appointed Deputy Chair of NRW and Julia Cherrett is the Senior Independent Director (SID). The role of SID was introduced to support the Chair in his role; to act as an intermediary for other non-executive directors when necessary; to lead the non-executive directors in the oversight of the Chair and to ensure there is a clear division of responsibility between the Chair and Chief Executive. There were five changes to our Board this year: the terms of Dr Elizabeth Haywood and Mr Howard Davies ended on the 31 August 2021; Professor Calvin Jones, Mr Mark McKenna, and Mr Paul Griffiths were appointed as non-executive Directors from 1 September 2021.

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

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

Non-Executive members	Term	Start date	Current end date
Sir David Henshaw (Chair)	1	1 November 2018	31 October 2023
Professor Steve Ormerod	1	1 November 2018	31 October 2022
Karen Balmer	2	9 November 2015	8 November 2022
Catherine Brown	1	1 November 2018	31 October 2022
Julia Cherrett	2	1 November 2018	31 October 2025
Howard Davies	2	9 November 2015	31 August 2021
Dr Elizabeth Haywood	2	9 November 2015	31 August 2021
Zoe Henderson	2	9 November 2015	8 November 2022
Professor Peter Rigby	2	1 November 2018	31 October 2023
Professor Calvin Jones	1	1 September 2021	31 August 2022
Mark McKenna	1	1 September 2021	31 August 2022
Paul Griffiths	1	1 September 2021	25 May 2022
Dr Rosie Plummer	2	1 November 2018	31 October 2024
Geraint Davies	1	1 January 2019	31 October 2024

The end dates reported in the above table were correct at the reporting date but discussions are ongoing to extend the contracts of some board members due to exceptional circumstances that have led to a small delay in the appointment of new Board members in 2022.



Board Meetings

We held six two-day meetings; two were held face to face and four were held virtually due to Covid-19 restrictions. Standing items on our agenda include: in-year finance; performance reporting; response to Climate and Nature Emergencies; and strategic and operational updates from the Chair, Chief Executive and committees.

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

All future meeting dates and previous agendas are available on our website, as well as the papers and minutes from our public sessions. NRW Executive Team, our Board and committees have continued to meet throughout the Covid-19 pandemic. Due to lockdown restrictions we have been limited in our opportunities to meet in public, and members of the public are able to observe virtual meetings. The lack of face to face meetings has meant that the Board has not been able to move around the different regions of Wales as usual or hold stakeholder engagement sessions. External engagement is one of the elements of our work that has been most affected, leading to some delays in our engagement and training programmes.

Board member attendance 2021/22

Name	Meeting Attendance
Sir David Henshaw (Chair)	6/6
Professor Steve Ormerod	6/6
Karen Balmer	5/6
Catherine Brown	5/6
Julia Cherrett	5/6
Geraint Davies	6/6
Howard Davies	2/2
Dr Elizabeth Haywood	2/2
Zoe Henderson	6/6
Professor Calvin Jones	3/4
Mark McKenna	4/4

Name	Meeting Attendance
Paul Griffiths	4/4
Dr Rosie Plummer	5/6
Professor Peter Rigby	6/6
Clare Pilman (Chief Executive)	6/6

Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee's (ARAC) principal role is to advise the Board and support the Accounting Officer in monitoring, scrutinising and challenging the arrangements in place for audit, governance, internal controls and risk management. The Chair of this Committee is Catherine Brown. The Chief Executive attends every meeting as NRW's Accounting Officer, along with our Executive Director of Finance and Corporate Services. Members of ET now attend the committee to discuss any limited assurance internal audit reports.

This year ARAC addressed a range of issues including:

- Oversight and Governance of Timber Sales
- Improvements to our risk management approach
- Internal Audit Plan 2021/22
- Annual Report and Accounts 2020/21 and plans for this report, 2021/22
- Fraud / Counter Fraud revised operating model

Board member ARAC attendance 2021/22

Name	Number of meetings	Number of full meetings attended
Catherine Brown (Chair)	6	6
Karen Balmer	6	6
Dr Rosie Plummer	6	6
Professor Peter Rigby	6	4

People and Remuneration Committee

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

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

- Organisational Design
- Wellbeing, Health and Safety and Serious Incident Reviews
- Scrutiny of proposed People Management policies
- Recruitment and the Recruitment Process
- Organisational Succession Planning
- People Strategy
- Renewal Programme

Board member PaRC attendance 2021/22

Name	Number of meetings	Number of full meetings attended
Zoe Henderson (Chair)	4	4
Karen Balmer	4	4
Howard Davies	1	1
Julia Cherrett	4	4
Mark McKenna	2	2

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. Sir David Henshaw is acting as Interim Chair of the Committee until a new Chair is appointed.

This year the Committee considered the following:

- Monitoring in-year financial performance
- Financial and Business Planning for 2022/23
- Strategic Review of Charging
- Timber sales and marketing oversight
- NRW's Baseline exercise
- Grants strategy

Board member Finance Committee attendance 2021/22

Name	Number of meetings	Number of full meetings attended
Sir David Henshaw (Interim Chair)	8	8
Julia Cherrett	8	8
Dr Elizabeth Haywood (to August 2021)	4	3
Zoe Henderson (from April to December 2021)	5	5
Paul Griffiths (from December 2021)	3	3
Professor Calvin Jones (from December 2021)	3	3
Dr Rosie Plummer	8	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 National Nature Reserves.

Board member PrAC attendance 2021/22

Name	Number of meetings	Number of full meetings attended
Howard Davies (Chair, to August 2021)	1	1
Dr Rosie Plummer (Chair, from August 2021)	3	3
Geraint Davies	3	3
Dr Elizabeth Haywood (to August 2021)	1	1
Professor Steve Ormerod	3	3
Mark McKenna (from October 2021)	2	2

Flood Risk Management Committee (formerly Advisory Group)

The Committee is advisory and reports to the Natural Resources Wales Board.

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

The Committee usually comprises four non-executive members of the Board along with the Executive Director for Finance and Corporate Services, Executive Director for Evidence, Policy and Permitting, Head of Flood and Incident Risk Management and Head of Finance.

FRMC reviewed areas including:

- prioritisation of flood risk management activities
- governance of the flood risk management capital programme
- oversight of the flood recovery and review implementation programme
- skills and succession planning
- oversight of work to improve NRW's regulation of reservoir safety

Board member FRMC attendance 2021/22

Name	Number of meetings	Number of full meetings attended
Dr Elizabeth Haywood (Chair, to August 2021)	3	3
Julia Cherrett (Chair, from September 2021)	5	5
Karen Balmer (from April to August 2021)	3	3
Geraint Davies	5	4
Paul Griffiths	2	2
Professor Calvin Jones	2	2

Evidence Advisory Committee

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

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

EAC reviewed areas including the launch of NRW's State of Natural Resources Report, NRW's role as the designator for a proposed new National Park and the evidence-based views that would require discussion at EAC, and received presentations demonstrating the Wales Environmental Portal and its educational benefits and regarding the multi-capitals approach to achieving transformative change.

Board member EAC attendance 2021/22

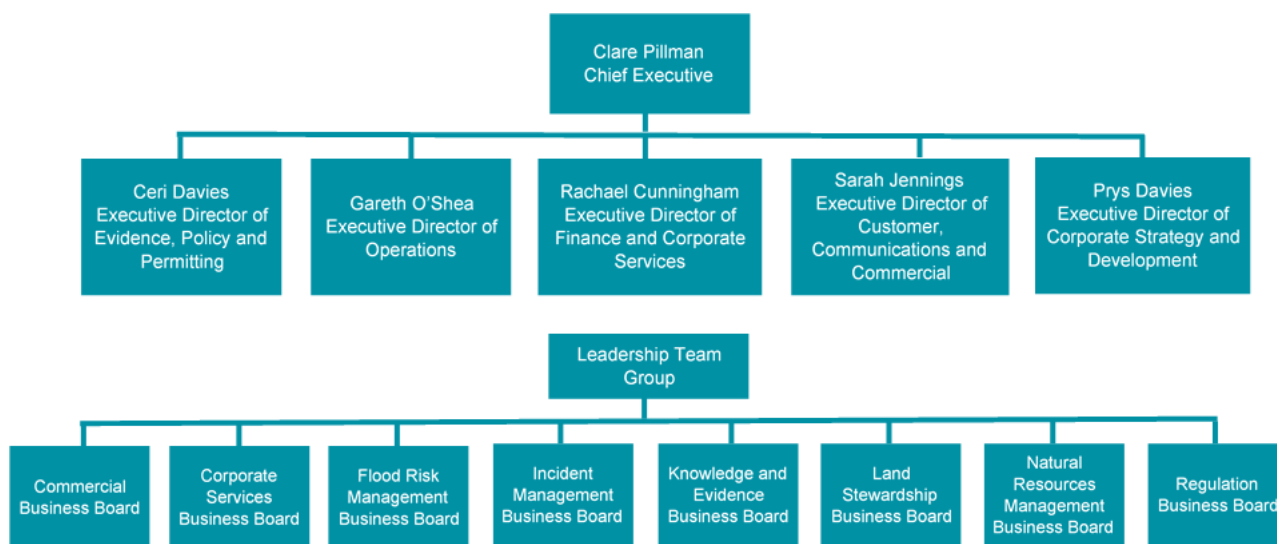
Name	Number of meetings	Number of full meetings attended
Professor Peter Rigby (Chair)	3	3
Professor Steve Ormerod	3	3

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.



Source NRW Internal Governance Structure

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

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

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

We produce an annual business plan which outlines the steps we will take towards meeting our Well-being Objectives in the Corporate Plan. Following Welsh Government agreement, the current Corporate Plan (2017-22) has been rolled forward to 2023.

The 2021-22 business plan is set out across five strategic priorities and is a one year 'chunk' of the Corporate Plan. Progress against these priorities is monitored on a quarterly basis using a performance dashboard of measures, which are scrutinised by our Business Boards, Executive Directors and NRW Board before being published on our website. Detailed management information is reviewed monthly at Leadership Team Group meetings and from Q3 in 21-22, this is also reported quarterly to Executive Directors and NRW Board, alongside the performance dashboard.

Throughout 2021-22 we faced the continuation of the public health crisis, with the impacts likely to be felt across the globe now and over the longer-term. As with much of the rest of the public sector in Wales, we have had to significantly re-engineer the way we work as we emerged from restrictions and we continue to review our Business Continuity Plans to ensure cover is in place for key individuals and multiple absences. During the year we have maintained our focus on the well-being, health and safety of our staff, partners and customers and will continue to do so as we learn from this challenging time and plan how we will work in the future.

Nevertheless, 2021/22 has put in place some key building blocks for global action – with new evidence presented by the UN IPBES reports, international agreements at COP26 in Glasgow and preparations for COP15 in Kunming in April /May 2022. Within Wales, the political context shifted with the new Programme for Government (PfG) published in June, followed by the Co-operation Agreement with Plaid Cymru in December 2021. Both emphasised a very strong commitment to the nature and climate emergencies with a clear recognition of the importance of practical and innovative action.

In response to Welsh Government's ambition, as well as the ongoing budgetary pressures across the public sector, we have worked with Ministers and officials throughout 2021/22 to build a common understanding of our resources, priorities and the appetite and opportunity for doing things differently.

As a category 1 responder under the Civil Contingencies Act (2004) we have continued to respond to incidents within our remit in a professional and effective way. We have managed our response to the Covid pandemic through our incident management procedures and utilised our established Strategic Incident Response Group, Tactical Incident Response Group, and various supporting technical cells to ensure we continue to guide and steer our staff to ensure they work in a Covid safe way. We have also responded to flooding, storms, and other environmental incidents that have occurred throughout the year. Through a consultation process, we have recently secured a contractual change to the contracts of approximately 1200 staff from around the organisation to help and support our incident rotas, to ensure we are more resilient to respond to incidents when they occur now and in the future.

Ministerial Directions

We have not received any Ministerial Directions this year.

Our Internal Control Framework

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

The pace of change to adapt to the pandemic restrictions has been rapid but also controlled. Our key financial controls within automated systems and our schemes of delegation to ensure appropriate segregation of duties remain in place and current. The 'Managing our Money' and 'NRW Statutory and Legal Scheme' documents are both reviewed regularly. Where significant changes had been implemented new controls were identified, for example managers were asked to maintain ICT asset lists of additional items which were taken home to support increased and sustained working from home.

Risk Management

A robust risk management framework is an essential component of our Governance framework. It assists us in managing our business, protecting our resources and our reputation. We adopted an improved risk management framework in 2020 and since then we have continued to embed that framework, with significant improvements in the management and reporting of risks.

Responsibilities in relation to the management of risk are clearly outlined in our risk management framework. Each risk has an Executive-level Risk Owner and a Leadership or Management-level Risk Manager who meet regularly with the Action Owners for their risks to discuss causes, events, consequences, scores, controls, and planned actions. In addition, each of the Strategic Risks is subject to a regular deep dive at Executive Team (ET) meetings and each one has been assigned for additional scrutiny via a deep dive at the relevant Board Committee.

Risk is a standing item at all Audit and Risk Assurance Committee (ARAC) meetings and all committees undertake a deep dive of the risks allocated to them, reporting the results of each deep dive to ARAC.

ARAC scrutinises and challenges the strategic risk register. It gains assurance on the effectiveness of the risk management framework and provides the Board with advice to enable it to assure itself of the effectiveness of the risk management framework. Other Board committees review relevant strategic risks.

The Board has agreed Risk Appetite Statements for all our strategic risks and conducts an annual review of our strategic risks and our risk appetite. Risk appetite statements will be written for any new strategic risks identified once the risk has been fully developed.

Our risk management framework sets out how and when risks should be escalated and we have seen many examples of this in practice throughout the year. We initially identified and continue to monitor the additional potential consequences of the Covid pandemic on our risks and the actions needed to mitigate against those impacts.

Information assurance

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

We have mandatory bi-annual online learning courses for staff on 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 have improved due to a new focused approach and increased monitoring, but we will continue to supplement this learning with targeted awareness and engagement. We have also collaborated with strategic partners such as Welsh Government, Data protection Community, local resilience fora and the National Cyber Security Centre to share learning and maintain standards.

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

Number of cases reported to the Information Commissioner's Office (ICO)		
2021/22	2020/21	2019/20
0	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. An Internal Audit review in 2020/21 highlighted that significant improvements were required to our Conflict of Interest policy, procedures, training, and reporting mechanisms, and this work was concluded in September 2021.

Whistleblowing

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

Therefore, we have established measures in place to raise serious concerns about malpractice or impropriety. Our framework includes access to an external reporting hotline where concerns can be raised anonymously. In 2020, NRW became a 'Prescribed

Person', being added to a list of organisations and individuals that a worker may approach outside their workplace to report suspected or known wrongdoing.

Of the 4 cases reported during 2021/22: one was reported to another Prescribed Person in relation to NRW; two were reported internally in relation to NRW; and 1 was reported to NRW, as a Prescribed Person, in relation to another organisation.

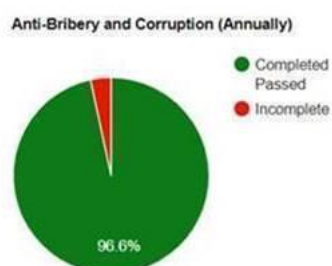
Number of whistleblowing cases reported

2021/22	2020/21	2019/20
4	0	2

Fraud

The Counter Fraud Strategy 2022 – 2026 sets out a new strategic direction designed to support and strengthen NRW's 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 Counter Fraud, Bribery and Corruption Policy and a Fraud, Bribery, and Corruption Response Procedure. Mandatory annual 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 this mandatory training improved significantly in 2021. However, we are aware that completion rates for compulsory online learning are not currently at 100%. In 2022 we will refocus efforts on improving the completion rates in line with our revised Counter Fraud Strategy and Delivery Plan.

Completion Stats for 2021



We have received 8 allegations of fraud, handled per NRW's anti-fraud, bribery, and corruption process. These are reported to our 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		
2021/22	2020/21	2019/20
8	10	7

We recognise that many people are feeling financial pressures just now. With inflation hitting 7% and unprecedented increases in fuel and domestic energy costs, the cost of living crisis feels very real. Public sector bodies have seen a rise in internal frauds, including time management fraud cases. In response, we are advised to be more vigilant.

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

Compliance with the UK Corporate Governance Code

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

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

Our Assurance Framework

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

Internal Audit

The annual audit opinion is informed in part by the delivery of the Internal Audit plan. This year we provided an “unacceptable assurance” for one audit area, Workforce Planning and “limited assurance” over two other audit areas: Whistleblowing and Key Stakeholder Engagement across the whole organisation.

The audit of workforce planning identified that NRW does not have an effective approach to workforce planning. However, it is acknowledged that the lack of effective workforce planning is a long-term strategic risk for NRW and that the organisation is at the start of the maturity journey towards developing a workforce plan. The audit also identified governance issues in terms of reporting, challenge and oversight. NRW has a current risk due to significant issues in relation to recruitment and resourcing difficulties within NRW.

These issues have been recognised through the escalation of a resourcing risk to the Strategic Risk Register. The Follow Up of Recruitment Internal Audit (original audit reported in May 2020) made a recommendation to address the recruitment risks identified. It is also noted that multiple audits in 2021/22 have highlighted issues with internal staff training and development, which was also a major non-conformity in the 2022 attainment of the Health and Safety BSI ISO45001 accreditation.

NRW has not embraced organisation wide stakeholder engagement as it has not been integrated into governance, structure or relevant decision-making processes. This is driven by a lack of strategic direction and ownership of all stakeholder groups, there is no up-to-date strategic plan providing a holistic approach to stakeholder engagement for the organisation and an absence of stakeholder group-specific strategies or plans, therefore inhibiting actions being taken to identify and manage strategic stakeholders to ensure the achievement of the corporate objectives across all areas of the organisation.

The key stakeholder engagement audit did however note that the Customer stakeholder group is more established in comparison to other identified stakeholder groups. The Customer stakeholder group has developed a customer specific strategy and have plans in place for customer journey mapping. Further to this, the Customer Team have performed significant work to 'data cleanse' customer data for upload into a Customer Relationship Management (CRM) system, in preparation for a launch in mid-2022. Given the progress made by the Customer service Team and the clear strategy, identification and plans to manage stakeholders within this area of NRW we provided "moderate assurance" over the stakeholder engagement for this individual group of stakeholders.

The whistleblowing audit provided a limited assurance opinion largely due to a lack of an effective reporting mechanism and a poor understanding of whistleblowing across the organisation. The audit did not identify that there were instances of whistleblowing that had been mishandled. The volume of whistleblowing reported are notably low within NRW both internally and in its role as a Prescribed Organisation. Governance over reported whistleblowing's was found to be robust, but there is a need to address awareness, update the policy and procedures to manage the risks that whistleblowing's are not reported or are investigated inappropriately.

During the year we have also carried out 5 follow ups to assess the adequacy and assurance over the completion of audit actions from previous audits, where a limited assurance opinion was provided. A "good progress" opinion was provided for one of these, Management of Colliery Spoil Tips. A "reasonable progress" opinion was provided for three being: Timber Sales, Recruitment and Project & Programme Management. A "some progress" opinion was provided for the Reservoir Safety follow up. It was identified in the year that management were not assessing actions against risks identified during the original audits and therefore actions were not establishing improvements in the design or effectiveness of controls. A revised reporting system for the completion of audit actions has improved this in the latter part of the year. The completion of the audit actions from the "limited assurance" opinion audits of Contract Management and Grants has been more robust and there is an expectation of an improvement in follow up outcomes in future years as a result.

The audit coverage also included: Timber Restocking & Establishment, Flood Report Progress Review, Alignment of Organisational Plans, Hand Arm Vibration, Corporate Performance Dashboard, Accounts Receivable, Fleet Management Compliance, Internal Drainage Districts, Waste Permits, Land Agency Function (Acquisitions & Disposals), Water Quality Sample Monitoring and Commercial Activities (Energy Delivery); all of which received “moderate” assurance.

The audits of the Fixed Asset Register, the Statutory & Legal Scheme, and Pensions all received a “substantial” assurance opinion. For the pensions audit we were able to use data analytics over the whole population which provided a high-level assurance over the calculations, deductions and reconciliations of pensions.

NRW has made considerable progress over the year to address the completion of audit actions. At the year-end there were 22 actions of which only 3 were a high priority that were overdue based on their target completion date. All these actions were being actively addressed by management with quarterly updates on progress provided to ARAC. Aging of these actions showed only 2 were from 2020, with the remaining actions all falling due within 2021.

NRW recognises 10 strategic risks, and it is noted that all risks are reported above the target risk core set for them with many still in the high-risk area close to the inherent risk score. The strategic risk register as of March 2022 recognised that the inherent risk for compliance (SR07) was 23 (major impact, almost certain likelihood) and that the current residual risk score was 21 (major impact, probable likelihood), showing no change from when it was reported in March 2021. This risk acknowledges that the causes of non-compliance relate to policies not being clear, up to date and well understood; poorly designed procedures/system; a culture that does not understand why compliance is important; and an ineffective second line.

NRW does have a framework for Risk Management, and they have built on the work reported last year, it is noted that the strategic risk register continues to be an embedded management tool and that the Leadership Team Group and Business Board Risk Registers are now being used to frame discussion at these levels regarding risks. It was good to note some dynamic risk discussions regarding the war in Ukraine and the impact on NRW which demonstrated an application of risk management reacting to changes in the external environment. However, there remains limited risk management below these levels, with a mixed approach being observed from the various functions.

Whilst risk reporting to ARAC has notably improved in the last few quarters of the year there is still limited oversight and aggregation being provided to enable the identification of possibly emerging risks or aggregated risks from lower-level risk registers. Based on the reported strategic risk register it could be assumed that NRW is not undertaking risk management actions to mitigate or manage the risks, as risk scores are reported as static over the year, however, this more reflects a cautious approach to risk reporting and a potential lack of understanding of the impact of risk mitigations on the residual score.

Whilst in 2020/21 NRW acknowledged the need to develop the three lines model into the internal control framework, the contract to commence this work was not awarded until March 2022 and so no improvements were made within the year. It is anticipated that

learnings from this process can then be applied across NRW for other key processes to provide an improved internal control framework.

The Executive Team took steps in April 2022 after the year end to strengthen the internal governance arrangements with the approval of two key documents. The Governance Operating Model and the Delegated Authority. This strengthening of internal governance arrangements occurred after the year end and has therefore not impacted the internal audit opinion; however, they will move NRW into a stronger governance position for the forthcoming year once they are fully adopted and utilised.

NRW has throughout 2021/22 made considerable steps towards improving the internal controls, governance and risk management within the organisation, with good robust leadership being shown. Whilst the opinion remains limited, it is clearly moving steadily towards a moderate opinion. Given the further plans to address assurance mapping, the delivery of the transformation programme, governance improvements and an improved risk management approach, the foundations for improvement are considerable. Since this has been planned and developed within the year it has not affected the internal audit opinion, however if plans progress and the momentum to improve the culture for compliance continues an improved governance risk and control environment should become evident.

In conclusion, my professional evaluation of internal controls, governance and risk management has led me to conclude that that in 2020/21 there remains significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective. I can therefore offer a **limited overall assurance opinion** for the past year. However, NRW has started to progress considerable work that if delivered as planned and to scope, provides an encouraging view for the forthcoming year.

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.

Following our publication of Grant Thornton's independent review of our timber sales operations and its sharing with the Senedd Cymru's Public Accounts Committee (PAC), we continue to embed changes and improvements in our timber sales operations, led by our Executive Director of Communications, Customer, and Commercial. This work is overseen by the Finance Committee and progress is reported to the Audit and Risk Assurance Committee. During 2021-22 we received £0.1m (£0.1 million in 2020-21) from a normal standing sales timber contract, which included the timber from a closed standing sales plus contract and was sold to the original customer through a single tender action.

Effectiveness of internal controls

To provide additional assurance that the framework of internal controls is in place and working well within NRW, members of ET and Chairs of Business Boards have each completed an Internal Controls Checklist and signed a Certificate of Assurance. This required them to make an evidence-based assessment of the effectiveness of the control framework in place for their Directorate/Business Board, attributing a grading of between substantial and unsatisfactory in terms of the assurance across each individual area.

This year we again achieved a 100% return rate of the checklists and certificates, with a varied level of detail between submissions. The options for assurance gradings have been changed this year and additional business areas have been included; therefore, it is not possible to make direct comparisons to 2020/21.

Business Boards and Directorates attributed similar levels of assurance across most areas, indicating that there is a commonality to the areas where assurance as to the effectiveness of internal controls is substantial, and where it is less satisfactory.

Overall, there is a sense from the returns that risks are captured, monitored, and managed well across the breadth of the organisation, and that further embedding risk management as a key priority within individual staff development plans would ensure further improvements. The returns also indicated that decisions taken across the organisation are in line with delegation levels and are evidence based, thorough, and subject to consultation as well as drawing on experts in the required fields.

There is a widely held sense again this year that the leadership of the organisation is visible, communicates regularly and has a focus on continuous improvement and professional development. Leaders at various levels of the organisation are said to role-model behaviours and encourage open discussion. There is a sense, however that there is more the organisation can do to support and encourage the development of new and upcoming team leaders and managers, including improving financial and other information provided to them. This has been identified as an area to focus on for the coming year.

Other areas of substantial assurance identified from the returns include ICT and Information Records management. It is indicated that generally systems are managed within the requisite policies and controls around access to systems are managed well. Additionally, the returns indicate a strong awareness of, and compliance with, data management requirements, quality management processes and, where relevant, learning lessons from any data-related incidents.

Some returns noted that there was some difficulty keeping guidance and other documents owned by Business Boards up to date, with a commitment to make this a priority for the coming year. There are certain activities identified for 2022/23 that will emphasise currency and ownership of policies as a key point of development.

Contract management was commonly identified as an area where staff felt they needed further training, support, and guidance. This is an area which will receive considerable attention in 2022/23 following the establishment of the contract management support service, as it continues to recruit to the team and fully achieve its objectives. The role of

the contract management support service, in providing the organisation with assurance that contracts are being properly managed, needs to be developed throughout the year.

Workforce planning and succession planning issues were acute areas of concern for many. Although it was acknowledged that the issue has been compounded by the inability to recruit in certain areas of the business, this is cited as a serious concern. It does not feel that succession and workforce planning is taking place in a structured, strategic way, with some pockets of ad-hoc succession planning and local workforce planning taking place. Resourcing has been identified as an emerging risk of concern during 2021/22, and now sits on our Strategic Risk Register. It is also, therefore, subject to management at a strategic level within the organisation, and the results of this analysis will be fed into the risk register and the specific planned actions to mitigate it will need to ensure that they also address the concerns around workforce and succession planning.

There were several questions raised as to the role of Business Boards in the context of internal controls and assurance. Several areas were questioned as being outside of the scope of Business Boards for the purpose of this exercise, including monitoring Health and Safety, developing a workforce plan and monitoring compliance with key NRW policies and procedures. Some returns, particularly at Business Board level did not feel best placed to comment on the assurance of the effectiveness of some of these areas of control, due to the controls being owned by central and corporate functions.

The role of Business Boards in the context of internal controls and organisational governance will be reviewed over the coming year as part of our ongoing 'vision for good governance' development work. All of the comments received in relation to the process and content of the Internal Controls Checklist and Certificate of Assurance will be reviewed, and improvements built into the process for next year.

Clare Pillman

Chief Executive and Accounting Officer

13 July 2022

Remuneration and Staff Report (audited)

Remuneration Report

Remuneration policy

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

The Chair and Board members' remuneration is set by Welsh Ministers. The terms of contract for senior employees (Executive Team members) is based on NRW terms and conditions. The remuneration policy for the most senior staff is not subject to collective bargaining and the remuneration package by reference to the utilisation of the Job Evaluation for Senior Posts (JESP) and a spot salary.

There is a social partnership agreement in place with five trade unions and the setting of terms and conditions for staff below the Executive Team members is through collective agreement with the social partners. The Welsh Government approves any changes to pay, terms and conditions and gives a pay remit to NRW within which it must deliver. As part of this year's pay offer we agreed, through formal consultation, a pay deal for the period 1 July 2021 to 31 May 2022 of 2.0%. The Enhancements and Payments (excluding Loyalty Award) were also increased by 2% from 1 July 2021. This offer did not apply, as already agreed through Job Evaluation consultation, to those who had previously opted out of the Job Evaluation Scheme.

Service contracts

All appointments to the Board are made on behalf of NRW's sponsor minister in the Welsh Government.

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

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

Salary and pension entitlements

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

members receiving compensation consistent with the Civil Service Compensation Scheme. Board members are not entitled to compensation.

Board members' remuneration

Board Member	Contracted Dates	Salary 2021/22 (£5,000 range)	Salary 2020/21 (£5,000 range)
Karen Balmer	09/11/15 to 08/11/22	10-15	10-15
Chris Blake ¹	09/11/15 to 24/02/21	N/A	10-15
Catherine Brown ²	01/11/18 to 31/10/22	15-20	15-20
Julia Cherrett ³	01/11/18 to 31/10/25	15-20	10-15
Geraint Davies	01/01/19 to 31/10/24	10-15	10-15
Howard Davies ⁴	09/11/15 to 31/08/21	10-15	10-15
Paul Griffiths ⁵	01/09/2021 to 25/05/2022	5-10	N/A
Elizabeth Haywood ⁶	09/11/15 to 31/08/21	15-20	10-15
Sir David Henshaw (Chair) ⁷	01/11/18 to 31/10/23	45-50	45-50
Zoë Henderson ⁸	09/11/15 to 08/11/22	15-20	15-20
Calvin Jones ⁹	01/09/2021 to 31/08/2022	5-10	N/A
Mark McKenna ¹⁰	01/09/2021 to 31/08/2022	5-10	N/A
Steve Ormerod (Deputy Chair) ¹¹	01/11/18 to 31/10/22	15-20	15-20
Rosie Plummer ¹²	01/11/18 to 31/10/24	15-20	10-15
Peter Rigby ¹³	01/11/18 to 31/10/23	25-30	10-15

The end dates reported in the above table were correct at the reporting date but discussions are ongoing to extend the contracts of some board members due to exceptional circumstances that have led to a small delay in the appointment of new Board members in 2022

¹ Chris Blake resigned as NRW board member with effect from 24 February 2021.

² Catherine Brown is chair of the Audit and Risk Assurance Committee (ARAC).

³ Julia Cherrett has been chair of the Flood Risk Management Committee since 31 August 2021.

⁴ Howard Davies ceased to be a board member on 31 August 2021 and was chair of the Protected Areas Committee until this date. He received remuneration within the range of £5,000 to £10,000 for services during 2021/22 and a backpay for services as chair of Protected Areas Committee during previous financial years of £5,000 to £10,000. The total remuneration for the year was £10,000 to £15,000.

⁵ Paul Griffiths became a board member on 1 September 2021 and resigned on 25 May 2022.

- ⁶ Elizabeth Haywood ceased to be a board member on 31 August 2021 and was chair of the Flood Risk Management Committee until this date. She received remuneration within the range of £5,000 to £10,000 for services during 2021/22 and a backpay for services as chair of the Flood Risk Management Committee during previous financial years of £10,000 to £15,000. The total remuneration for the year was £15,000 to £20,000.
- ⁷ Sir David Henshaw is chair of the Board and interim chair of the Finance Committee.
- ⁸ Zoë Henderson is chair of the People and Remuneration Committee.
- ⁹ Calvin Jones became a board member on 1 September 2021.
- ¹⁰ Mark McKenna became a board member on 1 September 2021.
- ¹¹ Steve Ormerod is deputy chair of the Board.
- ¹² Rosie Plummer has been chair of the Protected Areas Committee since 31 August 2021.
- ¹³ Peter Rigby is chair of Evidence Advisory Committee. He received remuneration within the range of £15,000 to £20,000 for services during 2021/22 and a backpay for services as chair of the Evidence Advisory Committee during previous financial years of £5,000 to £10,000. The total remuneration for the year was £25,000 to £30,000.

Executive Team's remuneration

Executive Team Member	Salary		Benefits in kind		Pension benefits ⁸		Total	
	(£5,000 range)		(nearest £100)		(nearest £1,000)		(£5,000 range)	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Clare Pillman ¹ (Chief Executive)	140-145	140-145	0	0	23,000	49,000	160-165	185-190
Rachael Cunningham ²	115-120	65-70	0	0	76,000	71,000	190-195	135-140
Ceri Davies ³	105-110	105-110	0	0	6,000	62,000	115-120	170-175
Prys Davies ⁴	110-115	85-90	0	0	26,000	31,000	135-140	115-120
Kevin Ingram ⁵	0	5-10	0	0	0	16,000	0	20-25
Sarah Jennings ⁶	120-125	65-70	0	0	47,000	27,000	95-100	95-100
Gareth O'Shea ⁷	120-125	95-100	0	0	93,000	44,000	215-220	140-145

¹ Clare Pillman is a final salary member (classic/classic plus/premium) who has transitioned to alpha. 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. Where there is no or a small pay rise, 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, hence the reduced pension benefit value.

² Rachael Cunningham was appointed as Executive Director of Finance and Corporate Services on 7 September 2020. Her full year equivalent salary for 2020/21 is £115,000 to £120,000.

³ Ceri Davies' full year equivalent salary was £105,000 - to £110,000 until December 2021 and £115,000 to £120,000 from January 2022 onwards.

⁴ Prys Davies' full year equivalent salary was £95,000 to £100,000. During the year, he received a back dated increase to salary which resulted in additional pay of £10,000 to £15,000 in relation to the previous financial year. Prys Davies is a final salary member (classic/classic plus/premium) who has transitioned to alpha. 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. Where there is no or a small pay rise, 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, hence the reduced pension benefit value.

⁵ Kevin Ingram's employment finished on 9 April 2020. His full year equivalent salary for 2020/21 was £95,000 to £100,000.

⁶ Sarah Jennings was appointed as Executive Director of Communications, Customer and Commercial on 7 September 2020. Her full year equivalent salary for 2020/21 is £120,000 to £125,000.

⁷ Gareth O'Shea's full year equivalent salary was £105,000 to £110,000. During the year, he received a back dated increase to salary which resulted in additional pay of £15,000 to £20,000 in relation to financial years ended 31 March 2021 and 31 March 2020.

⁸ The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, plus the real increase in any lump sum, less contributions made by the individual. The real increases exclude increases due to inflation or any changes due to a transfer of pension rights. This value does not represent an amount that will be received by the individual. It is a calculation that is intended to convey to the reader of the accounts an estimation of the benefit that being a member of the pension scheme could provide. The pension benefit table provides further information on the pension benefits accruing to the individual.

Salary

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

Performance-related pay

Any increase in salary is subject to performance being assessed as either 'Outstanding' or 'Achieving' by the Chief Executive and moderation by the People and Remuneration Committee. 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 Executive Team received benefits in kind during 2021/22 and 2020/21.

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

Pension benefits

Executive Team member	Accrued Pension at pension age as at 31/03/22 £000	Accrued Lump Sum at pension age as at 31/03/22 £000	Real Increase in pension at pension age £000	Real Increase in Accrued Lump Sum at pension age £000	CETV at 31/03/22 £000	CETV at 31/03/21 £000	Real Increase in CETV £000
Clare Pillman (Chief Executive)	60-65	135-140	0-2.5	0	1,261	1,187	3
Rachael Cunningham	35-40	0	2.5-5	0	513	436	48
Ceri Davies	50-55	70-75	0.2-5	0-(2.5)	1,017	958	(4)
Prys Davies	30-35	60-65	0-2.5	0	549	509	9
Sarah Jennings	0-5	0	2.5-5	0	60	21	29
Gareth O'Shea	55-60	90-95	2.5-5	5-7.5	1,046	912	72

Cash Equivalent Transfer Values

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

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

Real increase in CETV

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

Compensation for loss of office

No compensation for loss of office was agreed during 2021/22.

Fair pay disclosure

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

In 2021/22, 3 contract staff (2020/21: 6) were 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 2021/22 was £140,000 to £145,000 (2020/21: £140,000 to £145,000). This was 3.8 times (2020/21 4 times) the median remuneration of the workforce, with comparison in respect of upper, median, and lower quartile remuneration as follows:

Workforce pay ratio

	2021/22	2020/21	Movement
	£	£	%
Upper quartile	42,885	42,044	2.0
Ratio	3.3	3.3	
Median	37,119	35,288	5.2
Ratio	3.8	4.0	
Lower quartile	31,490	30,873	2.0
Ratio	4.4	4.5	

Staff pay scales range from £19,100 to £70,070.

Staff report

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 2022

	Male		Female		Total	
	Headcount	FTE	Headcount	FTE	Headcount	FTE
All employees	1,364	1,331	1,102	1,028	2,466	2,359
of which:						
Leadership Team	11	10	14	12.5	25	23
Executive Team	2	2	4	4	6	6

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

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

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

	2021/22			2020/21
	Permanent Staff	Others	Total	Total
Directly employed	2,072	72	2,144	2,070
Agency and contract staff	0	164	164	161
Total	2,072	236	2,308	2,231

The average full-time equivalent number of staff working on capital projects was 232.2 (2020/21: 237.1).

Staff turnover

Staff turnover during 2021/22 was 6.75% excluding temporary workers e.g. Agency (2020/21 3.79%).

Staff costs

	2021/22			2020/21
	Permanent staff	Other staff	Total	Total
	£'000	£'000	£'000	£'000
Wages and salaries	78,250	14,873	93,123	87,338
Social security costs and other taxation	8,346	625	8,971	8,089
Other pension costs	19,804	611	20,415	13,900
Total net salary costs	106,400	16,109	122,509	109,327
Other expenditure for staff		Note		
Exit package costs			159	204
IAS 19 (pensions) service charge		14	16,353	9,191
Less early retirement pension costs			(15)	(88)
Less in-year LGPS pension contributions			(6,894)	(1,948)
Movement in accrued holiday pay			(140)	942
Total other expenditure for staff			9,463	8,301
Less amounts charged to capital projects			(12,757)	(11,130)
Total staff costs			<u>119,215</u>	<u>106,498</u>

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

Details of the remuneration of Board members and directors are in the remuneration report. Bought-in services in Note 5 (other expenditure) includes £11.3 million of expenditure on consultants (2020/21 £10.3 million).

Pension schemes

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

Principal Civil Service Pension Scheme contributions

The PCSPS and the Civil Servant and Other Pension Scheme (CSOPS) - known as "Alpha" - are unfunded multi-employer defined benefit schemes, but the schemes do not identify individual organisations' share of the underlying assets and liabilities. The

scheme's actuary valued the PCSPS as at 31 March 2016. 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 2021/22, employer's contributions of £13,204k were payable to the PCSPS (2020/21: £11,846k) at one of four rates in the range 26.6% to 30.3% of pensionable earnings (for 2020/21 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 2021/22 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 £152k (2020/21: £137k) 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 (2020/21 £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 contributions

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

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

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

For 2021/22 the employer's contribution rate was 24.67% from April 2021 and 23.76% from June 2021 (2020/21: 23.08%). In 2021/22 employer's contributions of £6,894k were

paid to the LGPS (2020/21: £1,948k) which reduces the balance on the IAS 19 pension fund.

Exit packages

The total number of exit packages by cost band:	2021/22	2020/21
Under £10,000	2	1
£10,001 - £25,000	1	3
£25,001 - £50,000	0	0
£50,001 - £100,000	2	2
£100,001 - £150,000	0	0
Total	5	6
Resource cost	£159,000	£204,000

There were no compulsory redundancies in 2021/22 or 2020/21.

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 2021/22. Exit costs of £226k were actually paid in 2021/22, the year of departure. This amount includes £7k additional payments for 3 packages disclosed in 2020/21. Where NRW has agreed early retirements, the additional costs are met by NRW and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Sickness absence (not subject to audit)

Our sickness absence rate for the rolling year (1 April 2021 to 31 March 2022) showed an average of 5.9 days lost per employee and equates to 2.7%.

Disability Policies (not subject to audit)

Disability Confident Employer

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



During 2021/22, we continued to be 100% compliant with our 'Two Ticks' guaranteed interview scheme where applicants who declare themselves as disabled, in line with the Equality Act 2010 definition, and meet the minimum criteria for the role applied for are automatically invited to interview.

Externally we received applications from 1629 people of which 28 (1.72%) people requested a guaranteed interview. Internally we received applications from 820 people of which 4 (0.48%) people requested a guaranteed interview.

Staff Networks (not subject to audit)

The Networks are run by staff for staff and bring together people from all areas of the workplace who identify with others from a similar background or group.

Staff Networks fulfil various functions including providing opportunities for social interaction, peer support and personal development. Staff networks can also contribute to the development of our policies and working practices.

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

We support the networks by:

- Encouraging managers to release employees to participate in meetings and targeted work arising
- Promoting the Networks to new and existing employees
- Listening constructively to any employee concerns raised through the staff networks
- Taking part in initiatives developed by the staff network
- Renewed Employers for Carers membership January 2022
- Renewing our Stonewall membership April 2022

We currently have 7 staff networks as follows: -

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

In August 2021 our Calon LGBTQ+ Network met with Welsh Government PRISM Network to discuss their approach to WEI Stonewall submission and sharing good practice on best ways in engaging with staff. Calon hope to continue to collaborate with PRISM moving forward on campaigns.

One member from each Network attends the EDI Forum meetings, providing an update and a forward look on what the Network is involved with. Open conversations for constructive feedback are encouraged at meetings.

Each Network gives a presentation at the Induction course for new member of staff to help ensure staff are aware of our Networks and the support they can offer at an early stage in their career with us here.

Over the year an events calendar has been developed which helps in having a more coordinated approach to how our staff networks work, making it easier to work together to promote and raise awareness of events

Other employee matters (not subject to audit)

During 2020/21 we finalised, in partnership with the Trade Unions, the contractual arrangements for approximately 1200 roles to be on a rota.

Off-payroll engagements (not subject to audit)

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

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

The following tables show our position in relation to these requirements

Off-payroll engagements as of 31 March 2022, for more than £245 per day and last for longer than six months

Number of existing engagements at 31 March 2022 that have existed for:	Number of contractors
less than one year	17
between one and two years	22
between two and three years	21
between three and four years	17
four or more years	19
Total	96

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

New off-payroll engagements, or those that reached six months in duration, between 1 April 2021 and 31 March 2022, for more than £245 per day and last for longer than six months

	Number of contractors
The number of new engagements, or those that reached six months in duration, between 1 April 2021 and 31 March 2022.	24
of which:	
The number assessed as caught by IR35	0
The number assessed as not caught by IR35	24
The number engaged directly and are on the NRW payroll	0
The number of engagements reassessed for consistency / assurance purposes during the year.	8
The number of engagements that saw a change to IR35 status following the consistency review.	0

Parliamentary and Audit Report (audited)

Losses and special payments

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

Individual losses of £300,000 or more

During the year, a write off valued at £1,336k was recorded. The value of an intangible asset under construction relating to a software system for the laboratories was reduced by this amount due to the software supplier no longer being able to deliver under the contract. An independent review has been conducted so lessons can be learnt for future projects of this nature.

Natural Resources Wales also made a special payment relating to the reimbursement of fees of £687k to Horizon Nuclear Power following cessation of development activities at the Wylfa Newydd site.

There were no losses or special payments of £300k or more during 2020/21.

Losses and special payments by category

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

Category or type of loss	2021/22 Number	2021/22 £'000	2020/21 Number	2020/21 £'000
Write-off of irrecoverable debts	45	114	0	0
Loss of assets	11	1,441	15	18
Other losses (cash losses, fruitless payments, unenforceable claims, or gifts)	20	9	34	104
Special payments	4	1,145	5	17
Total	80	2,709	54	139

Clare Pillman
Chief Executive and Accounting Officer

13 July 2022

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

Opinion on financial statements

I certify that I have audited the financial statements of Natural Resources Wales for the year ended 31 March 2022 under paragraph 23 of the Schedule to the Natural Resources Body for Wales (Establishment) Order 2012. These comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash flows, Statement of Changes in Taxpayers Equity and related notes, including a summary of significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual.

In my opinion the financial statements:

- give a true and fair view of the state of Natural Resources Wales' affairs as at 31 March 2022 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; and
- have been properly prepared in accordance with Welsh Ministers' directions issued under the Natural Resources Body for Wales (Establishment) Order 2012.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Conclusions relating to going concern

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

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

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

Other information

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

I have nothing to report in this regard.

Report on other requirements

Opinion on other matters

As legislation and directions issued to Natural Resources Wales do not specify the content and form of the other information to be presented with the financial statements, I am not able to confirm that the Annual Report has been prepared in accordance with guidance.

In my opinion, based on the work undertaken in the course of my audit, the information given in the Annual Report is consistent with the financial statements.

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

Matters on which I report by exception

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

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

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

Responsibilities

Responsibilities of the Accounting Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

My procedures included the following:

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

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

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

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

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

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

Responsibilities for regularity

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

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

Report

I have no observations to make on these financial statements.

Adrian Crompton
Auditor General for Wales
15 September 2022

24 Cathedral Road
Cardiff
CF11 9LJ

FINANCIAL STATEMENTS
and
NOTES TO THE ACCOUNTS

for 2021/22

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2022

	Note	2021/22 £'000	2020/21 £'000
Staff costs	3	119,215	106,498
Capital works expensed in year	4	25,635	19,657
Other expenditure	5	110,128	98,788
Total operating expenditure		254,978	224,943
Charge income	6	(37,311)	(36,721)
Commercial and other income	6	(48,072)	(39,467)
European and other external funding	6	(2,198)	(2,218)
Income from contracts with customers		(87,581)	(78,406)
Net operating expenditure before gain on revaluation of biological and financial assets		167,397	146,537
Gain on revaluation of biological assets	7.1	(104,647)	(231,689)
Gain on revaluation of financial assets	9	(4,154)	(8,607)
Net expenditure for the year after gain on revaluation of biological and financial assets		58,596	(93,759)
Financing on pension scheme assets and liabilities	14.2.5	2,294	117
Net (gain)/loss on revaluation		975	18
Deficit/(Surplus) for the year		61,865	(93,624)
Other comprehensive net expenditure			
Pension actuarial remeasurements	14.2.5	(64,008)	97,861
Gain on revaluation of property, plant and equipment	SoCTE	(356,562)	(637,477)
Total comprehensive net expenditure for the year		(358,705)	(633,240)

The notes on pages 91 to 130 form part of these accounts.

Statement of Financial Position

As at 31 March 2022

		31 March 2022	31 March 2021
	Note	£'000	£'000
Non-current assets			
Property plant and equipment	7.1	2,020,356	1,688,090
Heritage assets	7.1	7,403	7,403
Biological assets	7.1	457,790	360,940
Intangible assets	7.2	29,602	27,308
Financial assets	9	16,807	14,128
Long term receivables	10	3,451	3,342
Total non-current assets		<u>2,535,409</u>	<u>2,101,211</u>
Current assets			
Property, plant and equipment held for sale		399	703
Financial asset held for sale	9	1,475	0
Inventories		580	2,082
Trade and other receivables	10	26,536	19,456
Cash and cash equivalents	11	8,993	7,855
Total current assets		<u>37,983</u>	<u>30,096</u>
Total assets		<u>2,573,392</u>	<u>2,131,307</u>
Current liabilities			
Trade and other payables	12	(38,206)	(32,026)
Provisions	13	(266)	(73)
Total current liabilities		<u>(38,472)</u>	<u>(32,099)</u>
Assets less current liabilities		<u>2,534,920</u>	<u>2,099,208</u>
Non-current liabilities			
Pension liabilities	14.2.5	(54,374)	(106,644)
Financial liabilities	8	(39,844)	(39,897)
Long term payables	12	(3,733)	(4,055)
Total non-current liabilities		<u>(97,951)</u>	<u>(150,596)</u>
Assets less liabilities		<u>2,436,969</u>	<u>1,948,612</u>
Taxpayers' equity and other reserves			
General fund	SoCTE	565,154	459,285
Revaluation reserve	SoCTE	1,926,189	1,595,971
Pensions reserve	SoCTE	(54,374)	(106,644)
Total taxpayers' equity		<u>2,436,969</u>	<u>1,948,612</u>

The notes on pages 91 to 130 form part of these accounts. The financial statements were approved by the board on 13 July 2022 and signed on its behalf by:

Clare Pillman
Chief Executive and Accounting Officer

Date: 13 July 2022

Statement of Cash Flows

For the year ended 31 March 2022

	Note	2021/22 £'000	2020/21 £'000
Cash flows from operating activities			
Net operating expenditure	SoCNE	(167,397)	(146,537)
Adjustment for non-cash transactions		54,775	39,053
Movement in trade and other receivables	10	(7,189)	(2,705)
Movement in trade and other payables	12	5,858	3,455
Movement in financial liabilities	SoFP	(53)	(45)
Movement in provisions	SoFP	193	(339)
Net cash flow from operating activities		(113,813)	(107,118)
Cash flows from investing activities			
Purchase of tangible assets	7.1	(8,154)	(7,344)
Purchase of intangible assets	7.2	(7,705)	(8,827)
Proceeds on disposal of property, plant and equipment		1,158	730
Net cash flow from investing activities		(14,701)	(15,441)
Cash flows from financing activities			
Grants from Welsh Government	SoCTE	129,652	105,313
Net Financing		129,652	105,313
Net increase/(decrease) in cash and cash equivalents in the period		1,138	(17,246)
Cash and cash equivalents at the beginning of the period		7,855	25,101
Cash and cash equivalents at the end of the period	11	8,993	7,855

The notes on pages 91 to 130 form part of these accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2022

	General Fund £'000	Revaluation Reserve £'000	Pension Reserve £'000	Total £'000
Opening balance	459,285	1,595,971	(106,644)	1,948,612
Comprehensive net expenditure for year	358,705	0	0	358,705
In-year movement				
Revaluation of Property, Plant and Equipment	(356,562)	356,562	0	0
Realised revaluation	26,344	(26,344)	0	0
Actuarial movement on pension scheme	(64,008)	0	64,008	0
Increase in pension liability	11,738	0	(11,738)	0
Total in-year movement	(382,488)	330,218	52,270	0
Funding				
Grants from Welsh Government	129,652	0	0	129,652
Balance at 31 March 2022	565,154	1,926,189	(54,374)	2,436,969

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 2021

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

The notes on pages 91 to 130 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 2021/22 Government Financial Reporting Manual (FReM) issued by HM Treasury and with the accounts direction given by the Welsh Government in accordance with paragraph 23(1) of the Natural Resources Body for Wales (Establishment) Order 2012.

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

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

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

The most significant areas of estimation and critical judgements are shown against the relevant notes, 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 and other grants received from Welsh Government are treated as financing received from a controlling party. They are recorded as a financing transaction and are credited directly to the general reserve in the Statement of Financial Position and not through the Statement of Comprehensive Net Expenditure.

1.4 Income, expenditure and grants

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

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

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

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

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

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

1.5 Inventories

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

1.6 Value added tax

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

1.7 Internal drainage districts

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

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

The drainage rates, special levies and precepts for 2021/22 were set by Natural Resources Wales 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 2021/22, these valuations were provided by the relevant firms of Chartered Surveyors or by internal valuers. The valuations for these assets were also undertaken in line with the requirements of the RICS Red Book as referred to above.

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 2022.

Changes in accounting estimates

There were no changes in accounting estimates during the year ended 31 March 2022.

IFRS's Effective in these financial statements

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

IFRS's Effective for future financial years

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

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

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. On 23 January 2020 the IASB issued '*Classification of Liabilities as Current or Non-Current (Amendments to IAS1)*' This was subsequently deferred with an implementation date of 1 January 2023. This amendment is not expected to have a material impact on financial reporting.

IAS 16 - Property, plant & equipment

This standard outlines the accounting treatment for most types of property plant & equipment. On 14 May 2020 the International Accounting Standards Board (IASB) issued '*Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)*' to be effective for periods beginning on or after 1 January 2022. This amendment is not expected to have a material impact on financial reporting.

IAS 37 - Provisions, contingent liabilities and contingent assets

This standard outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable). On 14 May 2020 the IASB issued '*Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)*' to be effective for periods beginning on or after 1 January 2022. This amendment is not expected to have a material impact on financial reporting.

IAS 41 - Agriculture

This standard sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). On 14 May 2020 the IASB issued '*Annual Improvements to IFRS Standards 2018–2020 (taxation in fair value measurements)*' to be effective for periods beginning on or after 1 January 2022. This amendment is not expected to have a material impact on financial reporting.

IFRS 16 – Leases

The implementation of this standard has been delayed and is now effective in the public sector from 1 April 2022, and will supersede all existing IFRS standards on leases. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets.

The introduction of IFRS 16 is expected to have a material impact in financial reporting terms (see note 16.3 for more details).

IFRS 17 – Insurance Contracts

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

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

1.10 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 12)
- Cash deposits with Natural Resources Wales (shown in note 12)
- Escrow accounts
- Local authority deed agreements
- Parent company guarantees
- Umbrella agreements (covering a number of sites)

1.11 Notes to the accounts

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

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

Notes 15 to 22 relate to figures not disclosed elsewhere in these accounts.

2. Analysis of net operating expenditure by segment

For the year ended 31 March 2022

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

	Finance & Corporate Services	Operations	Evidence, Policy & Permitting	Customer, Communications and Commercial	Corporate Strategy and Development	Centrally Controlled	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reported by segments							
Operating expenditure	27,058	99,224	59,746	8,156	8,245	52,549	254,978
Operating income	(37,593)	(43,295)	(1,307)	(5,256)	(130)	0	(87,581)
Total	(10,535)	55,929	58,439	2,900	8,115	52,549	167,397
Capital expenditure	8,806	2,358	4,695	0	0	0	15,859

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

	Finance & Corporate Services	Operations	Evidence, Policy & Permitting	Customer, Communications and Commercial	Corporate Strategy and Development	Centrally Controlled	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reported by segments							
Fees and charges	36,813	268	230	0	0	0	37,311
Commercial	780	41,720	186	5,256	130	0	48,072
European and other external funding	0	1,307	891	0	0	0	2,198
Total	37,593	43,295	1,307	5,256	130	0	87,581
Reported by segments							
Government	1,219	2,249	619	5	129	0	4,221
Non-Government	36,374	41,046	688	5,251	1	0	83,360
Total	37,593	43,295	1,307	5,256	130	0	87,581

Analysis of net operating expenditure by segment (continued)

Description of segments

Finance & Corporate Services	The Finance and Corporate Services Directorate provides financial services, audit and risk assurance, ICT services, buildings, fleet management and the renewal programme.
Operations	The Operations Directorate has principal responsibility for achieving the sustainable management of natural resources in Wales' geographical area, including its marine environment, across the range of Natural Resources Wales' remit. Also provides capital programme management, commercial operations and planning and marine services for the whole of Wales.
Evidence, Policy and Permitting	The Evidence, Policy & Permitting Directorate provides outward-facing central co-ordination for the organisation, leading on policy and strategy development, evidence, tools, standards, guidance and advice to enable other Natural Resources Wales teams, Welsh Government colleagues and partners fulfil their remit. There are also some direct delivery roles within the Directorate such as the Permitting Service and Flood Forecasting Service.
Customer Communications and Commercial	External relations, communications and customer contact centre. During 2020/21 this directorate also took on responsibility for commercial services and procurement support which were previously included within Finance and Corporate Services.
Corporate Strategy and Development	The Corporate Strategy and Development Directorate leads a number of Natural Resources Wales' cross-cutting functions, including strategic planning and performance; continuous improvement and programme management; organisational development and staff engagement; and corporate governance. It also supports the Natural Resources Wales Board and Chief Executive.
Centrally Controlled	Income and expenditure controlled centrally and not allocated to directorates. It includes depreciation, book value of fellings, year-end accruals for provisions.

Comparative figures for the year ended 31 March 2021

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

3. Staff costs

Further details of staff costs and numbers are disclosed from page 74 within the Remuneration and Staff Report.

	2021/22			2020/21
	Permanent Staff £'000	Other Staff £'000	Total £'000	Total £'000
Wages and salaries	78,250	14,873	93,123	87,338
Social security & other taxation costs	8,346	625	8,971	8,089
Other pension costs	19,804	611	20,415	13,900
Total net salary costs	106,400	16,109	122,509	109,327
Other expenditure for staff			9,463	8,301
Less amounts charged to capital projects			(12,757)	(11,130)
Total staff costs			119,215	106,498

4. Capital works expensed in year

	2021/22	2020/21	31 March 2022	31 March 2021
Categories	Actual £'000	Actual £'000	Committed £'000	Committed £'000
Operational work	23,113	16,609	10,211	6,722
Capital grants	2,522	3,048	1,719	111
Total	25,635	19,657	11,930	6,833

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

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

- Where designated Welsh Government capital funding has been allocated to a scheme, which would not normally result in the acquisition of a tangible or intangible asset owned by Natural Resources Wales in accordance with IAS 16
- Where the risk and rewards relating to ownership of the asset do not reside with Natural Resources Wales, 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.

Operational work includes:

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

Restoration and refurbishment

- Work to ensure that the condition of the flood defences are retained in the appropriate condition and restored to that condition as necessary.

Embankments

- Creation, improvement or heightening of embankments along watercourses to reduce the risk of the water escaping from the river channel.

Flood Mapping

- Production of multi-layered maps which provide information on flooding from groundwater, rivers and the sea for Wales, and including information on flood defences and the areas benefiting from those flood defences.

Piling

- Installation of piles along the river banks to strengthen them and secure the adjacent land and prevent landslips into the river causing obstructions. These works would largely be below ground.

Culverts and channel improvements

- Repairing or replacing culverts under land, roads and properties and channel improvements that assist the flow of watercourses.

Flood risk management strategies

- Development of strategies to provide long term flood risk management options to cover a large area. It is from the long term strategies that individual flood risk projects are developed.

Flood management plans

- Water Level Management Plans and Catchment Flood Management Plans are prepared with the aim of establishing flood risk management policies that deliver sustainable flood risk management for the long term across a catchment.

Other works

- Improvements to locks and other waterways, telemetry replacement and fish habitat improvement. Detailed design of water treatment systems to prevent water pollution from mines. Feasibility studies, construction and development of adits around the mines to divert the water away from the mines.

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

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

Capital grants

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

5. Other expenditure

	2021/22 £'000	2020/21 £'000
Cash items		
Bought in services	18,944	19,680
Reservoir operating agreements	10,510	9,591
ICT costs	7,879	6,398
Forest roads network maintenance	5,319	4,718
Materials and equipment	4,423	4,396
Office running costs	3,950	3,781
Fleet costs	3,916	3,579
Collaborative agreements	1,405	2,654
Grants	1,087	2,631
Service level agreements	2,450	2,289
Staff related costs	2,242	2,199
Rents	1,853	1,969
Fees and court costs	1,165	1,681
Rates	721	823
Operational costs	564	562
Travel and subsistence	440	227
Statutory audit fees	193	188
European grants	88	167
Losses and special payments ^{1.}	1,154	121
Sub-total	68,303	67,654
Non-cash expenditure		
Value of sold timber	29,856	22,824
Depreciation, amortisation and impairment	9,700	8,855
Derecognition of assets ^{2.}	1,928	451
Losses ^{1.}	1,555	18
Movement on expected credit loss	(778)	199
(Gain) / Loss on disposal	(219)	(250)
Movement on other provisions	102	(327)
Movement on reservoir operating agreements	(319)	(636)
Sub-total	41,825	31,134
Total	110,128	98,788

^{1.} Details of write-offs, losses and special payments are shown in the Parliamentary and Audit Report on page 80.

^{2.} Public structure assets of £1,718k which Natural Resources Wales do not own or maintain and intangible ICT development costs of £210k were derecognised during 2021/22 (ICT development costs of £451k in 20/21).

6. Income analysis

For the year ended 31 March 2022

	2021/22 £'000	2020/21 £'000
Abstraction charges	19,132	18,795
Environmental permitting regulations: water quality	6,563	6,917
Environmental permitting regulations: installations	3,158	3,346
Environmental permitting regulations: waste	2,029	2,405
Other environmental protection charges	1,830	1,506
Fishing licences	1,166	1,166
Nuclear regulation	1,375	474
Hazardous waste	979	929
Water resources rechargeable works	684	671
Marine licensing	300	299
Emissions trading	95	213
Charge Income	37,311	36,721
Timber income	36,944	30,561
Renewable energy income ¹ .	5,166	3,976
Internal drainage district income	1,611	1,630
Income from estates	2,966	1,448
Legal costs recovered and Proceeds of Crime Act income	283	871
Provision of information and services	882	719
Miscellaneous income	188	236
Interest receivable	32	26
Commercial and other income	48,072	39,467
European income ² .	1,773	1,657
Grants and contributions	425	561
European and other external funding	2,198	2,218
Total income	87,581	78,406

¹. Renewable energy income is shown net of fees due to Welsh Government in respect of wind energy income. The balance of £5,166 (in 2020/21, £3,976k) represents income of £12,900k (in 2020/21, £14,749k) after deducting the fee payment to Welsh Government of £7,734k (in 2020/21, £10,773k).

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

6.1 Analysis of fees and charges

Year ending 31 March 2022	Income billed £'000	Expenditure £'000	Surplus/ (Deficit) £'000
Abstraction charges	19,827	19,132	695
Environmental permitting regulations: water quality	6,506	6,563	(57)
Environmental permitting regulations: installations	3,498	3,158	340
Environmental permitting regulations: waste	2,106	2,029	77
Other environmental protection charges	1,599	1,830	(231)
Fishing licences	1,166	1,166	0
Nuclear regulation	1,339	1,375	(36)
Hazardous waste	1,003	979	24
Water resources rechargeable works	684	684	0
Marine licences	300	300	0
Emissions trading	94	95	(1)
Total	38,122	37,311	811

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

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

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

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

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

We have a transitional arrangement where material balances without a plan will be reduced by 31 March 2023. This treatment overrides the standard revenue recognition criteria outlined in the first paragraph above.

Significant judgment

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

Expenditure funded by grant-in-aid has been excluded from the table 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 and Carbon Reduction Commitment – regulation of businesses under EU schemes.
- Nuclear regulation – regulation of nuclear and non-nuclear sites, and nuclear new build sites.
- Marine licences – regulation of deposits, removals, construction projects on or under the sea bed and all forms of dredging.
- Other environmental protection – licensing for registration of waste carriers and brokers, trans frontier shipments, producer responsibility licensing for waste electronic and electrical equipment, end of life vehicles, polychlorinated biphenyls, flood defence consents, reservoir compliance, development planning advice and regulation of businesses under such schemes as control of major accident hazards.

7. Non-current assets

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

Recognition

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

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

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

Measurement

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

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

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

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

Indexation and Revaluation

The table below 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 Natural Resources Wales Principal Surveyor. All valuers had enough current local and national knowledge of the market, and the skills and understanding to undertake the valuation competently.

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

Rolling Programme

Reporting column in Note 7.1	Class of Asset	Valuation Methodology	Date of previous full valuation	Process for 2021/22	Valuer
Forest Estate	Forest Estate	Market value	31 March 2021	Interim valuation	Savills
Freehold Land	Agricultural Land - Equipped Asset	Market value	31 March 2016	Full valuation	Internal
	Agricultural Land - Unequipped	Market value	31 March 2016	Full valuation	Internal
		Market value	31 March 2016	Full valuation	Bruton Knowles, Internal, Llywelyn Humphreys
	Other Welsh Government Woodland Estate Land	Market value	31 March 2021	Interim valuation	Savills
	Freehold Land	Market value	31 March 2016	Full valuation	Internal
Leasehold Land	Leasehold Land	Market value	31 March 2016	Full valuation	Internal
Other Land	Wind Farms	Market value	31 March 2021	Full valuation	Savills
	Hydro Schemes	Market value	31 March 2021	Desktop	Internal
	Third party Access	Market value	31 March 2021	Desktop	Internal
	Telecom Masts	Market value	31 March 2021	Desktop	Internal
	Mineral Leases	Market value	31 March 2021	Desktop	Internal
	Other Agreements	Market value	31 March 2021	Desktop	Internal
	Forest Holidays	Market value	31 March 2021	Full valuation	Avison Young
Buildings	Dwellings	Market value	31 March 2016	Full valuation	Baileys & Partners Bruton Knowles, Cooke & Arkwright
	Offices & Commercial	Market value	31 March 2016	Full valuation	Baileys & Partners, Bruton Knowles Internal
	Other buildings (Non-Specialised)	Market value	31 March 2016	Full valuation	Baileys & Partners, Bruton Knowles, Cooke & Arkwright Internal
	Depots (specialised)	Modern equivalent asset value	31 March 2016	Full valuation	Baileys & Partners, Bruton Knowles, Cooke & Arkwright, Internal
	Deer Larders (specialised)	Modern equivalent asset value	31 March 2016	Full valuation	Internal
	Toilet Blocks (specialised)	Modern equivalent asset value	31 March 2016	Full valuation	Internal
	Bird Hides	Modern equivalent asset value	31 March 2016	Full valuation	Internal
	Visitor and Information Centres (specialised)	Modern equivalent asset value	31 March 2016	Full valuation	Baileys & Partners, Bruton Knowles, Cooke & Arkwright
	Other (specialised)	Modern equivalent asset value	31 March 2016	Full valuation	Baileys & Partners, Bruton Knowles, Cooke & Arkwright, Internal
	Agricultural (Specialised)	Modern equivalent asset value	31 March 2016	Full valuation	Baileys & Partners, Bruton Knowles, Cooke & Arkwright

Reporting column in Note 7.1	Class of Asset	Valuation Methodology	Date of previous full valuation	Process for 2021/22	Valuer
Operational Structures	Boreholes	Modified historic cost	N/A	ONS Index*	Internal
	Gauging Station	Modified historic cost	N/A	ONS Index*	Internal
	Locks & Weirs	Modified historic cost	N/A	ONS Index*	Internal
	Sea & River Structures	Modified historic cost	N/A	ONS Index*	Internal
	Sluices	Modified historic cost	N/A	ONS Index*	Internal
	Other	Modified historic cost	N/A	ONS Index*	Internal
	Pumping Stations	Modified historic cost	N/A	ONS Index*	Internal
	Fish Passes	Modified historic cost	N/A	ONS Index*	Internal
Operational Structures (Public Structures)	Boardwalks	Modern equivalent asset value	31 March 2021	Full valuation	Internal
	Bike Trails	Modern equivalent asset value	31 March 2021	Full valuation	Internal
	Other	Modern equivalent asset value	31 March 2021	Full valuation	Internal
	Car Parks	Modern equivalent asset value	31 March 2021	Full valuation	Internal
	Walking Trails	Modern equivalent asset value	31 March 2021	Full valuation	Internal
Biological Assets	Biological Assets	Market value	31 March 2021	Interim valuation	Savills
Heritage Assets	Heritage Assets	Historical cost	N/A	Held at cost	N/A

* ONS - Office of National Statistics

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. Prior to this, the last full quinquennial valuations were undertaken as at 31 March 2016. The valuations as at 31 March 2022 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 Natural Resources Wales, that is impractical and not cost effective, so we have used modified historic cost as a proxy for depreciated replacement cost to give us fair value.

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

Depreciation and amortisation

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

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

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

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

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

Other licences also include assets which are held in perpetuity.

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

Disposals

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

Revaluation Reserve

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

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

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

Impairment

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

Non-current assets held for sale

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

7.1 Tangible non-current assets

	Forest estate	Other land	Buildings	Plant and machinery	Information technology	Operational structures	Assets under construction	Total property, plant & equipment	Biological assets	Heritage assets	Total tangible assets
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2021	1,411,996	184,549	16,836	25,263	13,990	83,816	5,098	1,741,548	360,940	7,403	2,109,891
Additions	0	4,635	0	688	29	161	2,641	8,154	0	0	8,154
Assets commissioned in year	0	0	0	1,411	198	2,169	(3,778)	0	0	0	0
Disposals, derecognition and write-offs	0	(625)	(2,151)	(1,509)	(508)	(2,817)	0	(7,610)	0	0	(7,610)
Movement from/(to) held for sale	0	280	(54)	259	0	0	0	485	0	0	485
Fellings	(20,557)	0	0	0	0	0	0	(20,557)	(7,797)	0	(28,354)
Indexation and revaluation	332,201	15,653	(254)	0	0	3,949	0	351,549	104,647	0	456,196
Reclassification	0	(19)	193	119	0	314	(626)	(19)	0	0	(19)
At 31 March 2022	1,723,640	204,473	14,570	26,231	13,709	87,592	3,335	2,073,550	457,790	7,403	2,538,743
Depreciation											
At 1 April 2021	0	0	3,157	16,085	13,182	21,034	0	53,458	0	0	53,458
Charged in year	0	0	604	1,685	131	3,483	0	5,903	0	0	5,903
Disposals, derecognition and write-offs	0	0	(377)	(1,321)	(508)	(104)	0	(2,310)	0	0	(2,310)
Movement from/(to) held for sale	0	0	(87)	268	0	0	0	181	0	0	181
Indexation and revaluation	0	0	(3,192)	7	0	(853)	0	(4,038)	0	0	(4,038)
Reclassification	0	0	0	24	0	(24)	0	0	0	0	0
At 31 March 2021	0	0	105	16,748	12,805	23,536	0	53,194	0	0	53,194
Carrying amount at 1 April 2021	1,411,996	184,549	13,679	9,178	808	62,782	5,098	1,688,090	360,940	7,403	2,056,433
Carrying amount at 31 March 2022	1,723,640	204,473	14,465	9,483	904	64,056	3,335	2,020,356	457,790	7,403	2,485,549
Asset Financing											
Owned	1,675,323	200,380	14,465	9,483	904	64,056	3,335	1,967,946	457,790	7,403	2,433,139
Leased	48,317	4,093	0	0	0	0	0	52,410	0	0	52,410
Carrying amount at 31 March 2022	1,723,640	204,473	14,465	9,483	904	64,056	3,335	2,020,356	457,790	7,403	2,485,549

Buildings include dwellings with a carrying amount of £788k. The other buildings are offices and workbases.

The amount held in the Revaluation Reserve for tangible assets at 31 March 2022 was £1,925,564k.

Comparative figures for the year ended 31 March 2021

	Forest estate	Other land	Buildings	Plant and machinery	Information technology	Operational structures	Assets under construction	Total property, plant & equipment	Biological assets	Heritage assets	Total tangible assets
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2020	788,517	188,383	18,946	21,589	13,511	90,709	3,215	1,124,870	135,744	7,099	1,267,713
Additions	0	0	115	1,440	404	843	4,238	7,040	0	304	7,344
Assets commissioned in year	0	393	0	1,863	79	140	(2,475)	0	0	0	0
Disposals, derecognition and write-offs	(1)	(353)	(200)	(904)	(4)	0	0	(1,462)	0	0	(1,462)
Movement from/(to) held for sale	1	26	425	(345)	0	0	0	107	0	0	107
Fellings	(17,118)	0	0	0	0	0	0	(17,118)	(6,493)	0	(23,611)
Indexation and revaluation	640,597	(3,428)	(771)	0	0	(8,269)	0	628,129	231,689	0	859,818
Reclassification	0	(472)	(1,679)	1,620	0	393	120	(18)	0	0	(18)
At 31 March 2021	1,411,996	184,549	16,836	25,263	13,990	83,816	5,098	1,741,548	360,940	7,403	2,109,891
Depreciation											
At 1 April 2020	0	0	3,534	14,997	13,133	26,691	0	58,355	0	0	58,355
Charged in year	0	0	596	1,503	54	3,567	0	5,720	0	0	5,720
Disposals, derecognition and write-offs	0	0	(126)	(833)	(5)	0	0	(964)	0	0	(964)
Movement from/(to) held for sale	0	0	0	(323)	0	0	0	(323)	0	0	(323)
Indexation and revaluation	0	0	(100)	(6)	0	(9,224)	0	(9,330)	0	0	(9,330)
Reclassification	0	0	(747)	747	0	0	0	0	0	0	0
At 31 March 2021	0	0	3,157	16,085	13,182	21,034	0	53,458	0	0	53,458
Carrying amount at 1 April 2020	788,517	188,383	15,412	6,592	378	64,018	3,215	1,066,515	135,744	7,099	1,209,358
Carrying amount at 31 March 2021	1,411,996	184,549	13,679	9,178	808	62,782	5,098	1,688,090	360,940	7,403	2,056,433
Asset Financing											
Owned	1,366,059	180,818	13,679	9,178	808	62,782	5,098	1,638,422	360,940	7,403	2,006,765
Leased	45,937	3,731	0	0	0	0	0	49,668	0	0	49,668
Carrying amount at 31 March 2021	1,411,996	184,549	13,679	9,178	808	62,782	5,098	1,688,090	360,940	7,403	2,056,433

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

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

7.1.1 Forest estate including biological assets

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

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

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

Estimation techniques, assumptions and judgements

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

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

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

The apportionment of trees between biological assets and property, plant and equipment was carried out by Natural Resources Wales staff using judgements and estimates. An assessment was made of the proportion primarily held for economic purposes and the resulting percentage was used to determine the value of trees classed as a biological asset. Should there be an acquisition or disposal of land that would create a total change in our forest estate land holding of ten per cent or more, an interim review of the assessment would take place. There was no such change during the period ending 31 March 2022. 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 5% of timber values and reflect the costs of selling the woodland or forest.

7.1.2 Windfarms

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

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

Leases for windfarms which are in the development or operation stage are capitalised as land asset within other land in note 7.1. Four (2020/21 : 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. At 31 March 2022, Savills provided a full professional valuation for all four windfarms.

The individual values for the windfarms as at 31 March 2022 are shown below.

	£000
Cefn Croes	6,960
Pen y Cymoedd	88,645
Brechfa West	17,235
Clocaenog	<u>34,805</u>
Total	147,645

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

7.1.3 Heritage assets

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

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

As at 31 March 2022 Natural Resources Wales manages 56 of Wales' National Nature Reserves, either entirely, or in partnership, and one Marine Nature Reserve (MNR). There were no purchases of heritage assets (2020/21: £304k) 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

	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000
Opening balance	6,432	7,000	7,099	7,403
Additions	295	0	304	0
Reclassifications	273	99	0	0
Closing balance	7,000	7,099	7,403	7,403

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

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

7.2 Intangible non-current assets

	Software licences	Other licences	Software development expenditure	Website	Assets under construction	Total intangible assets
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 April 2021	9,581	2,337	24,610	477	9,992	46,997
Additions	298	0	1,239	0	6,168	7,705
Assets commissioned in year	0	0	5,746	9	(5,755)	0
Disposals, derecognition and write-offs	(504)	0	(2,277)	0	(1,613)	(4,394)
Indexation and revaluation	0	0	0	0	0	0
Reclassification	(3,653)	19	3,653	0	0	19
At 31 March 2022	5,722	2,356	32,971	486	8,792	50,327
Amortisation						
At 1 April 2021	7,021	48	12,186	434	0	19,689
Charged in year	453	12	3,280	52	0	3,797
Disposals, derecognition and write-offs	(490)	0	(2,271)	0	0	(2,761)
Indexation and revaluation	0	0	0	0	0	0
Reclassification	(3,020)	0	3,020	0	0	0
At 31 March 2022	3,964	60	16,215	486	0	20,725
Carrying Amount at 1 April 2021	2,560	2,289	12,424	43	9,992	27,308
Carrying Amount at 31 March 2022	1,758	2,296	16,756	0	8,792	29,602
Asset Financing						
Owned	1,758	2,296	16,756	0	8,792	29,602
Carrying Amount at 31 March 2022	1,758	2,296	16,756	0	8,792	29,602

The amount held in the Revaluation Reserve for these assets at 31 March 2022 was £625k.

Comparative figures for the year ended 31 March 2021

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

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

8. Financial liabilities and instruments

8.1 Financial liability

The financial liability of £39,844k 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. Natural Resources Wales is now responsible for the payments to Dŵr Cymru Welsh Water.

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

£6,282k was paid to Dŵr Cymru Welsh Water during 2021/22 (2020/21: £5,926k) for the indexed fixed payments. These are included with other payments under the reservoir operating agreements in Note 5.

Recently introduced legislative obligations relating to enhanced standards for spillways, pipes & dams as well as assets coming to the end of their useful lives have resulted in Dŵr Cymru Welsh Water implementing a capital programme over 8 years across the Clwyd, Dwyfor, Aled, Dee, Wye & Tywi catchments. This programme of new works has significantly increased costs to unprecedented levels which has resulted in Natural Resources Wales agreeing an incremental payment schedule with Dŵr Cymru Welsh Water over 13 years at a total projected cost of £39.4m.

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

8.2 Financial instruments

As the cash requirement of Natural Resources Wales is mainly met through grant-in-aid, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with Natural Resources Wales' expected purchase and usage requirements and Natural Resources Wales 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. Natural Resources Wales' estimate is based on our historic experience of credit losses updated for known future credit issues.

9. Financial Assets

	31 March 2022	31 March 2021
Non-current	£'000	£'000
Lake Vyrnwy forest	16,807	13,528
Forest Holidays	0	600
Current asset held for sale		
Forest holidays	1,475	0
	<u>18,282</u>	<u>14,128</u>

Lake Vyrnwy forest

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

Forest Holidays

Natural Resources Wales holds a minority shareholding in Forest Holidays via Forest Holidays LLP; a partnership organisation between Natural Resources Wales, Forestry England and Forestry Land Scotland. During the year, Forest Holidays made re-financing arrangements where there was no option for existing shareholders to reinvest and Forest Holidays LLP was legally obliged to support the majority stakeholder in the outcome. During 2021/22 it was agreed that Forest Holidays LLP would divest from Forest Holidays. The sale will take place in early 2022/23 and Forest Holidays LLP will be dissolved. Moving forward, the relationship between the three public sector organisations and Forest Holidays will be that of landlord and tenant and the existing charge on the leases will be transferred to the new owner.

10. Trade and other receivables

	31 March 2022	31 March 2021
Due within 1 year	£'000	£'000
Trade receivables	5,538	5,481
Expected credit loss	(93)	(871)
Contract assets - Commercial and other	4,502	5,926
Accrued income - Fees and charges	1,976	1,874
Accrued income - Other	6,881	1,033
Accrued income - European income	1,746	942
VAT receivable	2,982	2,894
Prepayments	2,273	2,151
Deposit	713	0
Other receivables	18	26
Total	<u>26,536</u>	<u>19,456</u>
Due after 1 year		
Long term receivables	3,451	3,342
Total Trade and other receivables	<u>29,987</u>	<u>22,798</u>

11. Cash and cash equivalents

	31 March 2022	31 March 2021
	£'000	£'000
Opening balance	7,855	25,101
Net change in cash and cash equivalent balances	1,138	(17,246)
Total	8,993	7,855
The following balances were held at 31 March		
Government Banking Service	4,201	5,465
Other bank accounts	4,790	2,388
Cash in hand	2	2
Total	8,993	7,855

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

12. Trade and other payables

	31 March 2022	31 March 2021
	£'000	£'000
Due within 1 year		
Trade payables accrual	18,986	15,576
Deferred Income - Fees and Charges	4,546	4,265
Deferred Income - EU and other funding	7,148	3,492
Contract Liabilities - Fees and Charges	144	198
Contract Liabilities - Commercial	426	437
Holiday pay	3,467	3,607
Trade payables	1,943	3,117
Bonds and deposits	1,301	1,301
Finance leases (current)	20	20
Other payables	215	4
Taxation and social security	10	9
Total	38,206	32,026
Due after 1 year		
Long term payables	2,874	3,193
Finance leases (non-current)	452	456
Long term deferred income	217	216
Long term bonds and deposits	190	190
Total	3,733	4,055
Total Trade and other payables	41,939	36,081

13. Provisions

	Grants	Other	Total
	£'000	£'000	£'000
Balance at 1 April 2021	0	73	73
Provided in the year	91	175	266
Released in year	0	(73)	(73)
Used in the year	0	0	0
Balance at 31 March 2022	91	175	266
Estimated timing of discounted cash flows			
Due within one year	91	175	266
Due between one and five years	0	0	0
Total	91	175	266

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

Provisions for grant payments are included where the work carried out by the grant partners had completed on or before 31 March 2022, but the claim is not due to be submitted to Natural Resources Wales until June 2022. The value of the provision is based on the grant offer letter.

Other provisions include compensation payments due to employees whose employment contracts have been amended in relation to incident rota duties and a refund due to a customer in relation to hazardous waste. The brought forward provision of £73k in relation to a personal injury claim was released during the year.

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

14. Pension obligations

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

14.1 Civil Service Pension Scheme

CSPS is open to new employees.

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

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

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

The partnership pension account is 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

14.2 Local Government Pension Scheme (LGPS)

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

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

The total LGPS pension charge for Natural Resources Wales for the financial year 2021/22 was £16,353k (£9,191k in 2020/21). The pension charge relating to the scheme was assessed in accordance with the advice of an independent qualified actuary using the projected unit method of valuation to calculate the service costs. Natural Resources Wales' funding arrangements are to pay the employer contributions to the Pension Fund either on a monthly basis or as lump sum payments.

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

The annual report and financial statements for the EAPF estimated that it had sufficient assets to meet 110% of its expected future liabilities at 31 March 2022 on an ongoing funding basis. Natural Resources Wales' 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 2019 this discount rate was 3.1% p.a.. The discount rate used in the Natural Resources Wales financial statements (2.7% p.a.), as required by IAS 19, is based on high quality corporate bond yields with no additional asset performance assumption. The pension increase assumption for accounting purposes has changed since the most recent valuation of the EAPF as a result of RPI reform announcements. The pension increase assumption, for accounting purposes, has changed since the 2019 valuation of the EAPF as a result of RPI reform announcements. The pension increase assumption reported by the EAPF, on a funding basis, allows for a gap between RPI and CPI of 1.0% p.a. and an inflation risk premium of 0.5% p.a.. However the assumption reported in these financial statements allows for a pre-2030 gap between RPI and CPI of 1% and a post-2030 gap of 0.1%. The resulting pension increase assumptions are 2.0% p.a. on the funding basis and 3.2% p.a. on the IAS19 basis. The real terms discount rate in these financial statements is therefore 2.1% lower than the rate used in the EAPF for funding purposes. This lower rate results in a significantly higher value being placed on the liabilities for accounting purposes.

A number of assumptions are made as part of the actuarial valuation process. The prudent actuarial assumptions used do not represent a view on what future pay movements may be. It was assumed at the 2019 actuarial valuation that present and future pensions in payment will increase at the rate of 2.5% per annum. The estimated contribution payable by NRW, excluding any discretionary lump sum payments, for the year to 31 March 2023 will be approximately £0 as it has paid all of its normal employer contributions.

The notes below set out the disclosure requirements of IAS 19 for the current year in relation to Natural Resources Wales' participation in the EAPF. All calculations have been made by a qualified independent actuary. The assumptions underlying the calculation of a net liability at 31 March 2022 are only used for accounting purposes as required under IAS 19. There is no requirement for the reported net liability to be met as a lump sum. Cash contributions paid by Natural Resources Wales to the pension fund will continue to be set by reference to assumptions agreed at each triennial actuarial valuation of the scheme.

There is a real recognition that Responsible Investment Funds have outperformed during the global pandemic which have helped to protect the EAPF's net asset value. It must be remembered that the Active Fund employers are able to take a long-term outlook when considering the high-level funding implications of external shocks. Markets were severely disrupted by COVID-19 in March 2020, but in the 2020/21 year they recovered strongly and continued to do so through 2021/22. However, no one knows what the long-term impact of COVID-19 may be on the economy and ultimately on the long-term cost of funding defined benefit pensions.

A new external event unfolded in Eastern Europe in February 2022, which will have consequences in many aspects of our lives both now and in the longer term. Whilst the focus is understandably on what the invasion means for the people of Ukraine and the geo-political situation in Europe, the pension fund has appropriately addressed its exposure to Russian assets. The Fund has very minimal exposure with just 0.01% of the EAPF's asset portfolio invested in Russia. These have subsequently been written down to nil with instructions in place to sell these existing holdings when possible.

14.2.1 Financial and longevity assumptions

Period Ended	31 Mar 2022 % p.a.	31 Mar 2021 % p.a.
Pension Increase Rate	3.20%	2.85%
Salary Increase Rate	3.70%	3.35%
Discount Rate	2.70%	2.00%

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

	Males	Females
Current Pensioners	21.9 years	24.1 years
Future Pensioners*	23.1 years	26.0 years

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

14.2.2 Sensitivity analysis

Change in assumptions at 31 March 2022:	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	11,680
1 Year increase in member life expectancy	4%	20,712
0.1% increase in the Salary Increase Rate	0%	2,482
0.1% increase in the Pension Increase Rate	2%	9,088

14.2.3 Duration of defined benefit obligation

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

14.2.4 Fair Value of Assets

Fair Value of Assets for the year ended 31 March 2022

Asset Category	31 March 2022 (£000)				
	Quoted	Unquoted	Undetermined	Total	%
Equity Securities:					
Common Stock	65,729.6	0.0	0.0	65,729.6	14%
Preferred Stock	0.0	0.0	0.0	0.0	0%
Rights/Warrants	0.0	0.0	0.0	0.0	0%
Other Equity Assets	1,273.4	0.0	0.0	1,273.4	0%
Debt Securities:					
UK Government Bonds	0.0	0.0	0.0	0.0	0%
Corporate Bonds	0.0	0.0	0.0	0.0	0%
Other	0.0	0.0	0.0	0.0	0%
Pooled Investment Vehicles:					
Equities	0.0	141,236.6	0.0	141,236.6	30%
Bonds	0.0	160,377.2	0.0	160,377.2	35%
Funds - Common Stock	0.0	0.0	0.0	0.0	0%
Funds - Real Estate	0.0	0.0	0.0	0.0	0%
Funds - Venture Capital	0.0	0.0	0.0	0.0	0%
Venture Capital and Partnerships:					
Partnerships & Real Estate	0.0	72,686.6	0.0	72,686.6	16%
Other Investment:					
Stapled Securities	0.0	0.0	0.0	0.0	0%
Derivative Contracts:					
Equity Derivatives - Futures	0.0	0.0	0.0	0.0	0%
Forward FX Contracts	0.0	(124.4)	0.0	(124.4)	0%
Cash and Cash equivalents					
All	0.0	0.0	22,255.1	22,255.1	5%
Totals	67,003.0	374,176.0	22,255.1	463,434.1	100%

Fair Value of Assets for the year ended 31 March 2021

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

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

Period ended 31 March 2022	Assets £(000s)	Obligations £(000s)	Net (liability)/ asset £(000s)
Fair value of employer assets	435,219	0	435,219
Present value of funded liabilities	0	541,863	(541,863)
Present value of unfunded liabilities	0	0	0
Opening Position as at 31 March 2021	435,219	541,863	(106,644)
Service cost			
- Current service cost*	0	16,182	(16,182)
- Past service cost (including curtailments)	0	171	(171)
- Effect of settlements	0	0	0
Total service cost	0	16,353	(16,353)
Net interest			
- Interest income on plan assets	8,637	0	8,637
- Interest cost on defined benefit obligation	0	10,931	(10,931)
- Impact of asset ceiling on net interest	0	0	0
Total net interest	8,637	10,931	(2,294)
Total defined benefit cost recognised in Profit or (Loss)	8,637	27,284	(18,647)
Cashflows			
- Plan participants' contributions	2,132	2,132	0
- Employer contributions	6,909	0	6,909
- Contributions in respect of unfunded benefits	0	0	0
- Benefits paid	(8,345)	(8,345)	0
- Unfunded benefits paid	0	0	0
Effect of business combinations and disposals	0	0	0
Expected closing position	444,552	562,934	(118,382)
Remeasurements			
- Change in financial assumptions	0	(42,935)	42,935
- Change in demographic assumptions	0	(3,083)	3,083
- Other experience	0	892	(892)
- Return on assets excluding amounts included in net interest	18,882	0	18,882
- Changes in asset ceiling	0	0	0
Total remeasurements recognised in Other Comprehensive Income (OCI)	18,882	(45,126)	64,008
Exchange differences	0	0	0
Fair value of employer assets	463,434	0	463,434
Present value of funded liabilities	0	517,808	(517,808)
Present value of unfunded liabilities	0	0	0
Closing position as at 31 March 2022	463,434	517,808	(54,374)

* 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 £298,149,000, £87,497,000 and £132,162,000 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2022. The employer's fair value of plan assets is approximately 10% of the Fund's total.

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

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

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

15. Capital commitments

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

	31 March 2022 £'000	31 March 2021 £'000
Property plant and equipment		
Plant and machinery	553	392
Transport equipment	728	205
Operational structures	439	1,096
Public structures	125	108
Total	1,845	1,801
Intangible assets		
Information technology - software licences	14	22
Information technology - software development	151	581
Total	165	603
Total	2,010	2,404

16. Commitments under leases

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

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

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

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

16.1 Operating leases

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

	31 March 2022			
	Land £'000	Buildings £'000	Vehicles £'000	Total £'000
Obligations under operating leases are:				
Not later than one year	156	1,653	1,125	2,934
Later than one year and not later than five years	250	4,555	2,237	7,042
Later than five years	1,870	601	0	2,471
Total value of obligations	2,276	6,809	3,362	12,447
	31 March 2021			
	Land £'000	Buildings £'000	Vehicles £'000	Total £'000
Obligations under operating leases are:				
Not later than one year	117	1,484	994	2,595
Later than one year and not later than five years	349	3,043	2,128	5,520
Later than five years	1,998	1,054	0	3,052
Total value of obligations	2,464	5,581	3,122	11,167

16.2 Finance leases

	31 March 2022	31 March 2021
	£'000	£'000
Obligations under finance leases for land are:		
Not later than one year	20	20
Later than one year and not later than five years	47	48
Later than five years	405	408
Total value of obligations	472	476

16.3 Implementation of IFRS16

From 1 April 2022 NRW will apply IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 "Leases".

The calculation of the anticipated lease liability and right of use assets is included below.

In applying IFRS 16, for all leases (except as noted below), NRW will:

- recognise right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments.
- recognise depreciation of right-of-use assets and interest on lease liabilities in the Statement of Comprehensive Net Expenditure; and
- separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

The cumulative effect of adopting IFRS 16 will be included as an adjustment to equity at the beginning of the period of implementation.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short term leases (lease term of 12 months or less) and leases of low-value assets (such as photocopiers), NRW will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

This expense will continue to be presented within other expenditure in the Statement of Comprehensive Net Expenditure.

The following table summarises the expected impact of adopting IFRS 16 for the year ended 31 March 2023:

	31 March 2022	Adjustments - operating leases	Adjustments - finance leases	1 April 2022 after IFRS 16 Adjustment
	£'000	£'000	£'000	£'000
Property plant & equipment	2,020,356	0	(52,410)	1,967,946
Right of use asset	0	11,725	52,410	64,135
Rent prepayment/accrual	358	(358)	0	0
Trade & other payables (Due within 1 year)	(20)	0	20	0
Trade & other payables (Due after 1 year)	(452)	0	452	0
Lease liability (current)	0	(2,683)	(20)	(2,703)
Lease liability (non- current)	0	(8,684)	(452)	(9,136)
Total	2,020,242	0	0	2,020,242
				1 April 2022
				£'000
Operating lease at 31 March 2022 as disclosed under IAS 17				12,447
Rent prepayment/accrual				358
Discounted using incremental borrowing rate at 1 April 2022				(812)
Leases with less than 12 months term/low value leases				(237)
Other exclusions (licences, flooding rights etc.)				(31)
Total				11,725

17. Other financial commitments

Natural Resources Wales has entered into non-cancellable contracts not reported in Note 4 - Capital Works Expensed in year, Note 15 - Capital commitments or Note 16 - Commitments under leases. The total other payments to which Natural Resources Wales is committed at 31 March 2022 are :

	31 March 2022	31 March 2021
	£'000	£'000
Not later than one year	24,681	16,540
Later than one year and not later than five years	16,700	16,165
Later than five years	1,390	1,343
Total	42,771	34,048

18. Lease receivables

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

	31 March 2022	31 March 2021
	£'000	Restated £'000
Not later than one year	14,076	13,774
Later than one year and not later than five years	54,679	52,999
Later than five years	205,465	222,455
Total	274,220	289,228

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

The table includes commitments under the Operating lease for Clocaenog windfarm for the next 25 years. Although the Operating Lease wasn't signed as at 31 March 22, the windfarm itself is operational and Natural Resources Wales receives royalty rents based on electricity generated just as it would under the Operating Lease agreement. The lease was signed on 6th April 2022.

The comparative values for 31 March 2021 have been re-stated to correct a duplication error in relation to the forest holiday lease at Beddgelert. The overall commitment has been reduced by £3,898k.

19. Contingent liabilities

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

Natural Resources Wales has the following contingent liabilities:

	31 March 2022	31 March 2021
	£'000	£'000
Timber sales claims	60	250
Property damage claims	802	836
Public and employee liability	94	44
Other	0	17
Total	956	1,147

Timber sales claims

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

Property damage claims

Damage to properties following failure of storm drains and culverts as a result of Storms Ciara, Dennis and Arwen.

Public and employee liability

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

Other claims

The value of two claims relating to property damage have been resolved during the year ended 31 March 2022.

Unquantified contingent liabilities

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

Property damage claims

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

Public and employee liability

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

HM Revenue and Customs Audit

An HM Revenue and Customs audit of Natural Resources Wales treatment of Off-payroll working (IR35) is under way and will continue into 2022/23. An unquantifiable contingent liability is disclosed to recognise the possibility of non-compliance liabilities arising from the audit.

Japanese Knotweed

There are six claims for damage caused by Japanese Knotweed awaiting expert opinion about the potential costs of damage and repair.

20. Events after the end of the reporting period

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

21. Date of authorisation for issue

Natural Resources Wales' Financial Statements are laid before the Senedd by the Minister for Climate Change, Julie James 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 on pages 81 to 85.

22. Related parties

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

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

Organisation	Member	Nature of relationship	Total payments £'000	Total income £'000	Amount owed by NRW at 31 March 2022 £'000	Amount owed to NRW at 31 March 2022 £'000
Canals and River Trust	Spouse of Julia Cherrett	Trustee	0	2	0	2
Cardiff University	Steve Ormerod	Professor	67	10	31	0
Cardiff University Water Research Institute	Steve Ormerod	Co-Director				
Cardiff University Llyn Brianne Observatory	Steve Ormerod and spouse	Principal Investigators				
Centre for Alternative Technology	Rosie Plummer	Trustee	0	1	0	0
DEFRA including: Joint Nature Conservation Committee and Support Company	Karen Balmer	Independent member of JNCC Audit and Risk Committee	35	0	0	42
	Sir David Henshaw	Board member representing NRW				
	Steve Ormerod	Board member representing NRW				
Environment Agency	Steve Ormerod	Member of Science Advisory Group	3,151	340	130	398
Groundwork North Wales	Karen Balmer	Group Chief Executive	1	0	0	0
North Wales Wildlife Trust	Howard Davies	Trustee and Honorary Vice President	125	0	2	0
Pembrokeshire Coast National Park Authority	Rosie Plummer	Welsh Government appointed board member	184	8	171	0
Plantlife International	Rosie Plummer	Trustee	52	0	29	0
RSPB	Steve Ormerod	Vice President	726	28	552	1
Wild Ground	Karen Balmer	Group Chief Executive	1	0	0	0

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

Member	Nature of transactions	Total payments £'000	Total income £'000	Amount owed by NRW at 31 March 2022 £'000	Amount owed to NRW at 31 March 2022 £'000
Geraint Davies	Section 16 agreements under the Environment (Wales) Act 2016	7	0	0	0