



**Cyfoeth
Naturiol
Cymru**
Natural
Resources
Wales

Annual report and accounts 2023-2024



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Natural Resources Wales

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Chair's foreword

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

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

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

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

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



Sir David Henshaw

Chair

16 October 2024

Performance Report

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

Chief Executive's statement

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

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

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

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

Nature

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

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

Climate

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

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

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

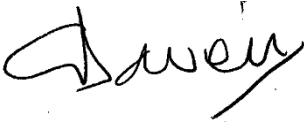
Minimising Pollution

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

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

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

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

A handwritten signature in black ink, appearing to read 'Ceri Davies', with a stylized flourish at the end.

Ceri Davies

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

16 October 2024

Introducing NRW...

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

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

Our vision

Nature and people thriving together.

Our mission:

Focussing our passion and collective action towards:

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

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

Our values

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

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

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

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

Our well-being objectives to 2030

By 2030 in Wales:

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

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

NRW in numbers

By well-being objective, some key figures related to our activity, including work with others, along with (just one¹) the reason why each is important:

Well-being objective 1: Nature is recovering

We are supporting nature's recovery through:

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

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

We are supporting communities' resilience to climate change through:

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

Well-being objective 3: Pollution is minimised

We are supporting minimisation of pollution through:

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

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

Key risks summary

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

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

Financial sustainability

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

Organisational resilience

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

Health and Safety

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

Values and ways of working

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

People

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

Political, legislative, economic environment

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

Finance summary

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

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

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

Managing our money

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

Future look

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

Non-current assets

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

Payment of trade and other payables

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

Debtor performance

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

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

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

Going Concern

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

Pensions

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

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

Auditors

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

Other reports

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

Performance summary

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

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

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

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

Comparing performance with the previous year (2022/23), at the end of 2023/24 we had five less measures amber or red, and four less green measures (and the 2023/24 dashboard reflected nine less measures overall²).

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

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

Performance Analysis

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

By Well-being Objective, we outline:

- Year end (summary) position³ for each of our Business Plan dashboard measures
- Some of our planned priority activity for the coming year
- A number of related delivery examples

Delivery relationships are also indicated with:

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

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

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

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

Well-being objective 1: Nature is recovering

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

What is needed to ensure nature's recovery?

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

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

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

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

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

Shared vision, and our plans for the future

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

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

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

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

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

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

Sharing our data, tackling challenges

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

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

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

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

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

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

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

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

Preparing the next State of Natural Resources Report (SoNaRR)

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

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

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

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

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

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

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

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

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

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

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

What is needed to ensure resilience to climate change?

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

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

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

- *Reduced flood risk* (or sustained protection) for 1,047 properties via capital schemes. Measure status: Green
- *Maintained flood risk assets*, achieving 97.2% (target 98%) at target condition within high-risk systems. Prolonged periods of wet, stormy weather have caused new defects, impacted ability to fix existing defects and meant resources being directed to reactive incident management. Measure status: Amber
- *Offered 706,000m³ of timber to market*. Measure status: Green
- *Created new woodland on the land in our care*, compensating for losses, with 504ha of land acquired for this in recent years though unable to meet our target for this year due to supply issues. Measure status: Amber
- *Acted to restore Wales’s peatlands*, exceeding 450ha of peatland restoration activity (including 131ha on land in our care). Measure status: Green (see [‘National Peatland Action Programme’](#) for more on this)
- *Progressed but did not complete our fleet and built estate commitments*. A change of approach to procurement and staff resource issues has caused more than a nine-month delay. Measure status: Red
- *Implemented flood review recommendations/actions*, with 31 remaining as longer-term actions. Measure status: Green
- *Produced the updated [Flood Risk Management Plan \(FRMP\) for Wales](#)*. Measure status: Green (see [‘Our Flood Risk Management Plan’](#) for more)

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

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

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

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

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

Projects we have been working on include:

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

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

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

Our Flood Risk Management Plan

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

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

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

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

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

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

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

Restoration activity on peatland through the National Peatland Action Programme

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

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

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

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

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

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

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

Learning in, learning about and learning for the natural environment

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

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

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

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

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

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

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

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

Well-being objective 3: Pollution is minimised

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

What is needed to ensure pollution is minimised?

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

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

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

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

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

Working with Network Rail

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

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

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

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

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

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

Reducing agricultural pollution

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

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

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

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

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

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

Our water

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

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

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

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

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

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

Wildfires and storms response

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

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

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

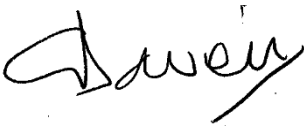
The Rhigos wildfire was just one of [multiple fires that impacted Wales natural environment in June 2023](#). Promoting a collaborative response to wildfires such as this was the previous focus of a demonstration and evidence project, to better manage our natural resources and minimise the impact and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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Ceri Davies', with a stylized flourish at the end.

Ceri Davies

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

16 October 2024

Accountability Report

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

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

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

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

Corporate Governance Report

Directors' Report

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

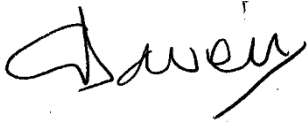
Name	Post Holder	Length of ET Service
Chief Executive	Clare Pillman	26 February 2018 - present
Executive Director of Evidence, Policy and Permitting	Ceri Davies	1 April 2013 - present
Executive Director of Operations	Gareth O'Shea	27 April 2015 – present
Executive Director of Corporate Strategy and Development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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Ceri Davies', with a stylized flourish at the end.

Ceri Davies

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

16 October 2024

Statement of Accounting Officer's Responsibilities

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

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (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 our auditors were unaware, and take all steps to make themselves aware of any relevant audit information and to establish that our auditors are aware of that information
- Confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for it and the judgements required for determining that it is fair, balanced, and understandable.

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

Governance Statement

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

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

Our governance structure

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

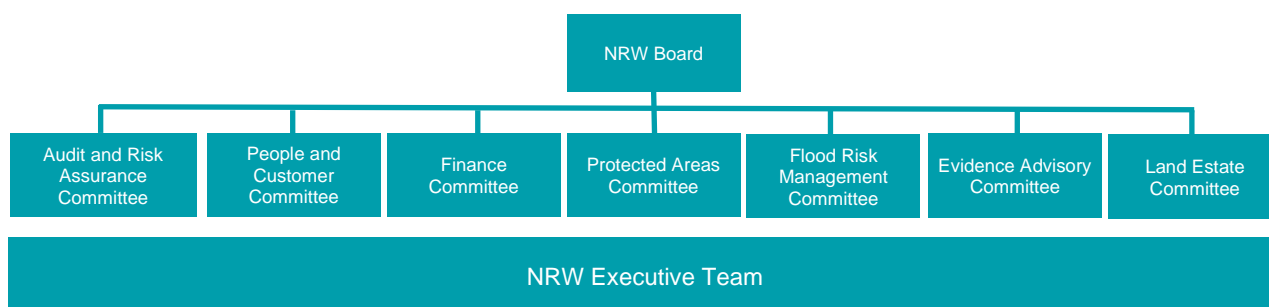
Our Board members are appointed by Welsh Ministers in accordance with the Code of Practice for Ministerial Appointments in Public Bodies, and as such our Chair is accountable to our sponsor minister in the WG.

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

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

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

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



Board Meetings

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

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

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

Board member attendance 2023/24

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

* Attended 1 of 2 days of the May meeting

Audit and Risk Assurance Committee

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

This year ARAC addressed a range of issues including:

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

Board member ARAC attendance 2023/24

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

People and Customer Committee

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

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

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

Board member PCC attendance 2023/24

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

Finance Committee

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

This year the Committee considered the following:

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

Board member Finance Committee attendance 2023/24

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

Protected Areas Committee (PrAC)

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

The Committee reviewed areas including:

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

Board member PrAC attendance 2022/23

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

Flood Risk Management Committee

The Committee is advisory and reports to our Board.

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

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

FRMC reviewed areas including:

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

Board member FRMC attendance 2023/24

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

Evidence Advisory Committee

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

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

EAC reviewed areas including:

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

Board member EAC attendance 2023/24

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

Land Estate Committee

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

LEC reviewed areas including:

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

Board member LEC attendance 2023/24

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

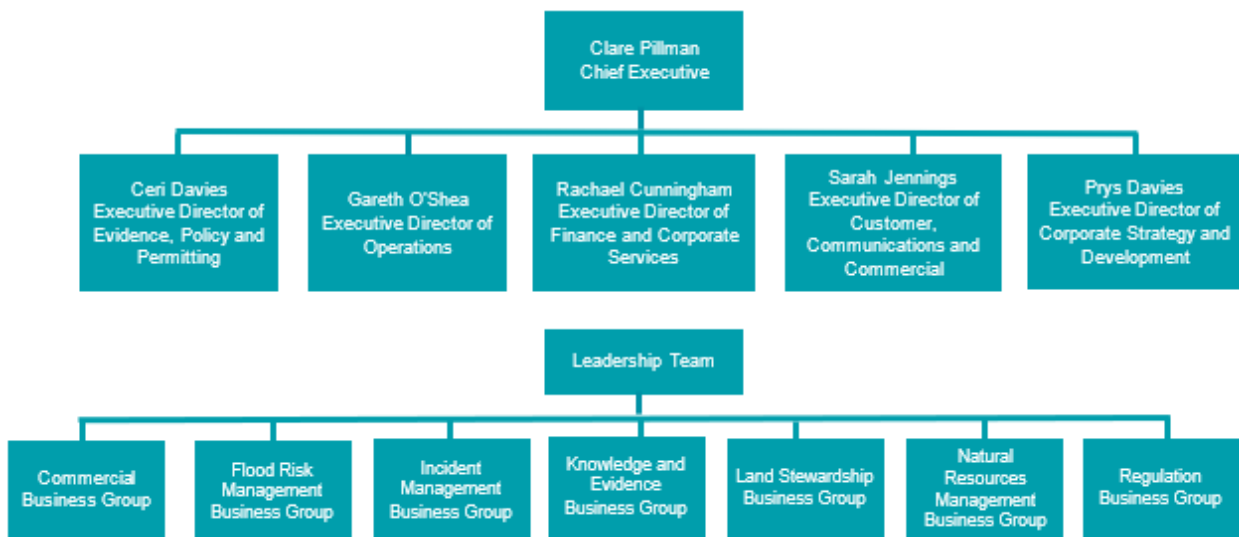
While Fora are not a part of our formal governance structure, non-executive Board members Chair, or attend at, these meetings.

Board Member reviews

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

Our Executive

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ministerial Directions

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

Our Internal Control Framework

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

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

Risk Management

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

Risk Management Framework



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

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

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

Risk Appetite

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

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

Strategic risk management

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

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

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

Information assurance

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

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

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

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

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

Declaration of Interest

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

Raising a Serious Concern in the Public Interest

Raising a Serious Concern in the Public Interest within NRW

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

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

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

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

Number of whistleblowing cases

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

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

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

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

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

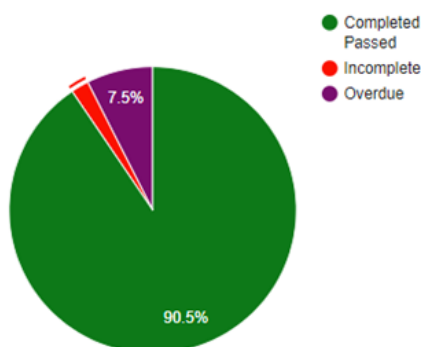
Fraud

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

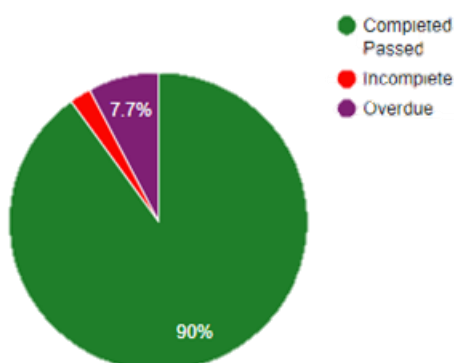
We remain in a cost of living crisis and pressures such as those caused by high rates of inflation can lead to an increased risk of fraud, which is already the most frequently reported category of crime in the UK. Mandatory online learning courses are provided for staff on Anti-Fraud and Anti-Bribery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

eLearning Completion Stats for 2023/2024

Anti-Bribery and Corruption (2 yrs)



Anti-Fraud (2 yrs)



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

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

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

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

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

Compliance with required codes and guidance

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

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

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

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

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

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

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

Our Assurance Framework

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

Internal Audit

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

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

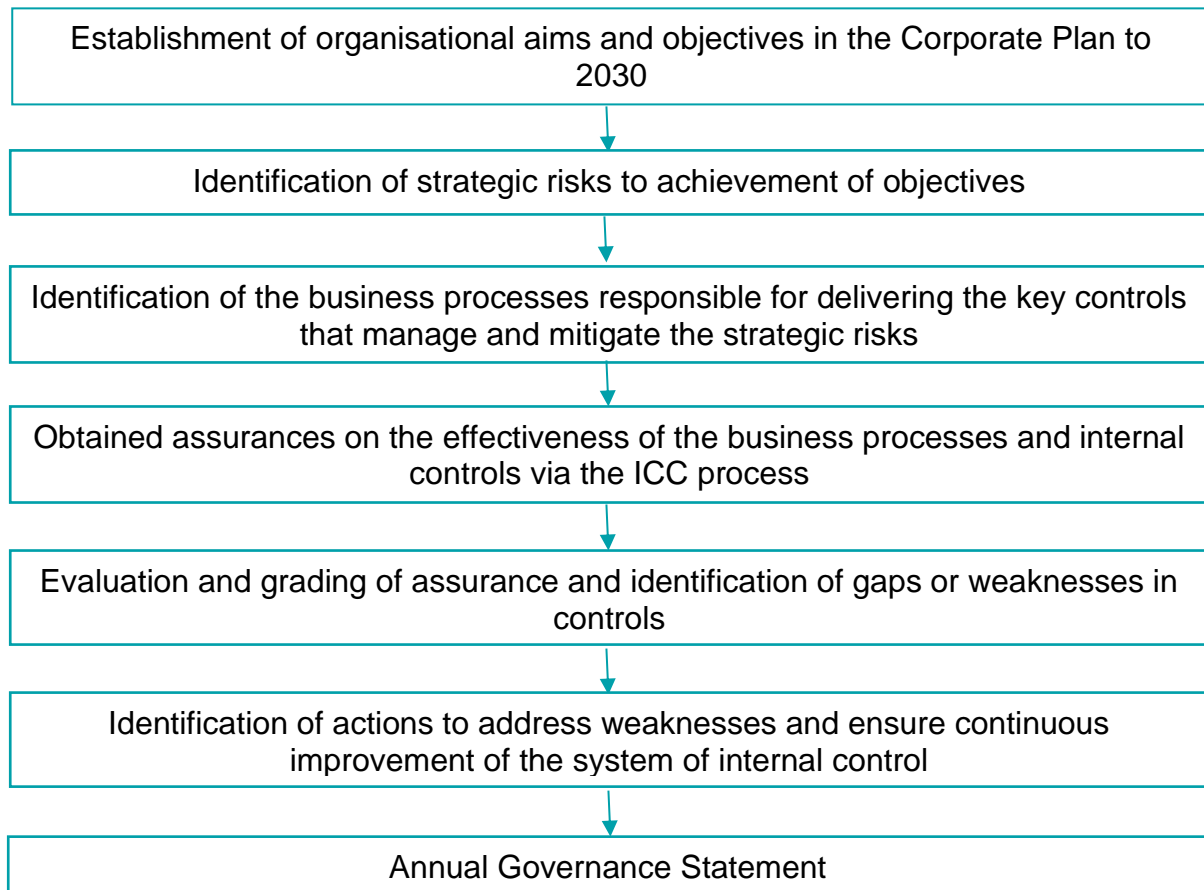
External audit

Independent scrutiny forms an important source of assurance, providing evidence of our ways of working in relation to best practice and industry standards. In some parts of the organisation, we are subject to, or we opt for, external audits or reviews of our work. Some are annual, for example UK Woodland Assurance Scheme or the ISO14001:2015 to maintain our environmental management system. Others we request as one of many pieces of work to give ourselves further information about particular areas or activity.

Effectiveness of the system of internal controls

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

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



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

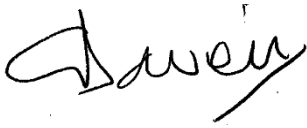
- The introduction of quarterly reviews following the completion of the 2022-2023 ICC process. This provided Executive Directors the opportunity to regularly consider any changes to their level of assurance in relation to the effectiveness of internal controls within their directorate throughout the year as a continuous review process;
- The introduction of a mandatory survey for the Leadership and Management Teams, directly linked to the business processes responsible for delivering key controls;
- Increased maturity and clarity in relation to categorisation of the assurance received in regard to both the three lines model and triangulated assurance; and
- Increased focused on the identification of gaps/weaknesses in the system of internal control and the development of a subsequent action plan.

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

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

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

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



Ceri Davies

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

16 October 2024

Remuneration and Staff Report (audited)

Remuneration policy

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

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

Service contracts

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

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

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

Salary and pension entitlements

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

Salary

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

Performance-related pay

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

Benefits in kind

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

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

Board members' remuneration

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

Executive Team's remuneration

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

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

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

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

Pension benefits

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

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

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

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

Cash Equivalent Transfer Values (CETV)

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

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

Real increase in CETV

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

Compensation for loss of office

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

Fair pay disclosure

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

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

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

Whole Workforce Remuneration ratio

	2023/24	2022/23	Movement
	£	£	%
Upper quartile	46,673	46,003	1.46
Ratio	3.3	3.2	
Median	40,426	38,492	5.02
Ratio	3.8	3.8	
Lower quartile	35,686	32,876	8.55

	2023/24	2022/23	Movement
	£	£	%
Ratio	4.3	4.4	

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

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

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

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

All staff report

Staff Remuneration policy

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

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

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

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

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

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

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

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

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

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

Staff turnover

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

Staff costs

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

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

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

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

Pension schemes

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

Civil Service Pension Scheme contributions

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

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

Stakeholder partnership pensions

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

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

Local Government Pension Scheme (LGPS) contributions

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

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

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

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

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

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

Exit packages

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

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

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

Sickness absence (not subject to audit)

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

Disability Policies (not subject to audit)

Disability Confident Employer

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

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

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



**'Two Ticks'
guaranteed
Interview
Scheme**

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

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

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

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

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

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

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

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

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

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

Off-payroll engagements (not subject to audit)

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

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

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

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

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

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

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

Parliamentary and Audit Report (audited)

Losses and special payments

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

Individual losses of £300,000 or more

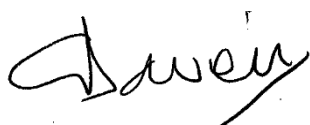
There were no losses or special payments of £300k or more during 2023/24.

Losses and special payments by category

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

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

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



Ceri Davies

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

16 October 2024

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

Opinion on financial statements

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

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

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

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

Opinion on regularity

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

Basis for opinions

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

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

Conclusions relating to going concern

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

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

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

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

Other information

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

I have nothing to report in this regard.

Opinion on other matters

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

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

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

Matters on which I report by exception

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

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

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

Responsibilities of the Accounting Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

My procedures included the following:

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

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

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

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

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

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

Other auditor's responsibilities

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

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

Report

I have no observations to make on these financial statements.



Adrian Crompton
Auditor General for Wales
18 October 2024

1 Capital Quarter
Tyndall Street
Cardiff
CF10 4BZ

**FINANCIAL STATEMENTS
and
NOTES TO THE ACCOUNTS**

for 2023/24

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2024

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

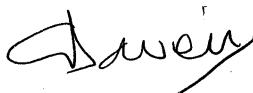
The notes on pages 82 to 128 form part of these accounts.

Statement of Financial Position

As at 31 March 2024

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

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



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

Date: 16 October 2024

Statement of Cash Flows

For the year ended 31 March 2024

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

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

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2024

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

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

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

Comparative figures for the year ended 31 March 2023

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

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

Note 1 Accounting policies

1.1 Requirement to prepare accounts

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

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

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

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

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

1.2 Accounting convention

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

These financial statements are based on the going concern principle.

1.3 Grant-in-aid

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

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

1.4 Income, expenditure and grants

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

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

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

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

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

1.5 Inventories

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

1.6 Value added tax

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

1.7 Internal drainage districts

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

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

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

1.8 Tangible assets

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

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

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

Changes in accounting policies

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

Changes in accounting estimates

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

IFRS's Effective in these financial statements

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

IFRS's Effective for future financial years

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

IAS 1 - Presentation of Financial Statements

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

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

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

IFRS 16 - Leases

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

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

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

IFRS 17 – Insurance Contracts

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

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

1.10 Financial provisions (Landfill sites)

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

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

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

1.11 Notes to the accounts

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

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

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

2. Analysis of net operating expenditure by segment

For the year ended 31 March 2024

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

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

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

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

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

Analysis of net operating expenditure by segment (continued)

Comparative figures for the year ended 31 March 2023

	Finance & Corporate Services	Operations	Evidence, Policy & Permitting	Customer, Communications and Information	Corporate Strategy and Development	Centrally Controlled	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reported by segments							
Operating expenditure	26,247	111,439	66,982	8,721	11,173	47,585	272,147
Operating income	(39,923)	(49,402)	(16,855)	(9,732)	(232)	-	(116,144)
Total	(13,676)	62,037	50,127	(1,011)	10,941	47,585	156,003
Capital expenditure	10,650	2,085	753	-	-	-	13,488

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

	Finance & Corporate Services	Operations	Evidence, Policy & Permitting	Customer, Communications and Commercial	Corporate Strategy and Development	Centrally Controlled	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reported by segments							
Fees and charges	39,496	369	163	-	-	-	40,028
Commercial	343	38,579	246	9,732	232	-	49,132
Welsh Government grants	84	6,924	15,226	-	-	-	22,234
European and other external funding		3,530	1,220	-	-	-	4,750
Total	39,923	49,402	16,855	9,732	232	-	116,144
Reported by segments							
Government	1,969	9,743	15,550	-	232	-	27,494
Non-Government	37,954	39,659	1,305	9,732	-	-	88,650
Total	39,923	49,402	16,855	9,732	232	-	116,144

Analysis of net operating expenditure by segment (continued)

Description of segments

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

3. Staff costs

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

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

4. Capital works expensed in year

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

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

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

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

Flood Risk

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

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

Nature and Climate Emergency and Other Programmes

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

5. Other expenditure

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

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

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

6. Income analysis

For the year ended 31 March 2024

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

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

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

^{3.} Including income claimed via Welsh European Funding Office for European funded projects.

6.1 Analysis of fees and charges

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

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

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

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

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

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

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

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

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

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

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

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

The key activities of each area are listed below:

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

7. Non-current assets

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

Recognition

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

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

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

Measurement

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

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

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

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

Indexation and Revaluation

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

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

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

Rolling Programme

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

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

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

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

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

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

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

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

Depreciation and amortisation

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

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

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

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

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

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

Impairment

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

Non-current assets held for sale

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

7.1 Tangible non-current assets

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

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

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

Comparative figures for the year ended 31 March 2023

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

Asset Financing

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

Buildings include dwellings with a carrying amount of £344k. The other buildings are offices and workbases. The amount held in the Revaluation Reserve for tangible assets at 31 March 2023 was £2,028,174k.

7.1.1 Forest estate including biological assets

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

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

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

Estimation techniques, assumptions and judgements

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

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

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

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

7.1.2 Windfarms

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

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

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

The individual values for the windfarms are shown below.

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

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

7.1.3 Heritage assets

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

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

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

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

Heritage Assets 4 year movements

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

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

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

7.2 Intangible non-current assets

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

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

Comparative figures for the year ended 31 March 2023

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

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

8. Leases

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

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

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

Implementation and Assumptions

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

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

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

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

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

Policy applicable from 1 April 2022

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

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

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

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

As a Lessee

Right of use assets

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

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

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

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

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

Lease liabilities

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

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

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

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

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

Lease liabilities are presented in note 8.2

As a lessor

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

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

Impact on financial statements

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

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

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

8.1 Right of use assets

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

Comparative figures for the year ended 31 March 2023

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

8.2 Lease Liabilities

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

Maturity analysis of leases held under IFRS 16

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

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

Other operating leases

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

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

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

9. Financial liabilities and instruments

9.1 Financial liability

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

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

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

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

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

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

9.2 Financial instruments

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

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

10. Financial Assets

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

Lake Vyrnwy forest

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

11. Trade and other receivables

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

12. Payments on account

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

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

13. Cash and cash equivalents

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

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

14. Trade and other payables

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

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

15. Provisions

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

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

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

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

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

16. Pension obligations

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

16.1 Civil Service Pension Scheme

CSPS is open to new employees.

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

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

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

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

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

Further details about the Civil Service pension arrangements can be found at the website. www.civilservicepensionscheme.org.uk

16.2 Local Government Pension Scheme (LGPS)

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

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

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

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

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

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

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

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

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

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

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

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

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

16.2.1 Financial and longevity assumptions

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

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

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

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

16.2.2 Sensitivity analysis

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

16.2.3 Duration of defined benefit obligation

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

16.2.4 Fair Value of Assets

Fair Value of Assets for the year ended 31 March 2024

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

Fair Value of Assets for the year ended 31 March 2023

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

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

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

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

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

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

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

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

17. Capital commitments

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

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

18. Commitments under leases

Implementation of IFRS16

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

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

19. Other financial commitments

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

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

20. Lease receivables

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

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

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

21. Contingent liabilities

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

Natural Resources Wales has the following contingent liabilities:

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

Timber sales claims

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

Flood and storm damage claims

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

Public and employee liability

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

Unquantified contingent liabilities

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

Flood and storm damage claims

54 claims have been received where the values are yet to be quantified. Within this there is one potentially significant claim due to damage of flood wall. NRW is in the process of negotiating settlement, but at the year end this amount remains unquantified.

Other damages claims

There are 3 other unquantified claims in relation to property damage. There is also 1 loss of earnings and 1 other unquantified damages claim.

Structural work at a leased office

A structural issue with the outer cladding has been identified on an office leased by NRW. NRW believes that it may be liable for the work required to remedy cladding that is in a state of disrepair, but NRW does not believe it is liable for the cost of fixing the latent defect in the cladding. Discussions are ongoing with the landlord about it and we therefore disclose an unquantified contingent liability.

Financial loss claims

There is an ongoing claim at the year end in relation to potential loss of income due a variation imposed to the abstraction licence to protect the River Teifi Special Area of Conservation. This claim will be covered to the extent of £660k by NRW's Environmental Improvement Unit Charge (EIUC) scheme. At the year ended 31 March 2024, the potential liability is unquantified due to ongoing negotiations.

Personal Injury

1 claim has been received in relation to injury received whilst cycling on our estate. There are 12 other open and unquantified cases in relation to slip, trips and falls, and animal and vehicle related incidents.

HM Revenue and Customs (HMRC) Review

NRW have received HMRC's opinion on a potential liability in relation to IR35 and contractors which we have responded to.

A liability may materialise and a wide range of values are possible. However, during the financial year, without any admission of liability, NRW has made a without prejudice payment on account to HMRC of £19 million. This is in respect of any prospective PAYE income tax, NIC and apprenticeship levy or any other liability NRW may have to HMRC. This also includes interest that may be payable by NRW to HMRC at the conclusion of its enquiry and/or any appeals or settlement. The payment on account is included within note 12 to the accounts.

We expect discussions to be ongoing at the time the annual accounts are signed, therefore an unquantified contingent liability is disclosed.

Japanese Knotweed

There are 8 claims for damage caused by Japanese Knotweed awaiting expert opinion about the potential costs of damage and repair.

Emerging case law relating to pension schemes

In June 2023, the High Court found in the Virgin Media case that changes to member benefits in contracted out defined benefit pension schemes between 1996 and 2016 required an actuarial certificate in line with section 37 of the Pension Schemes Act 1993 and that changes without this certification are to be considered void. This requirement applies to past service rights and future service rights, and to changes to the detriment or benefit of scheme members. The judgement was appealed in June 2024 but the appeal was dismissed.

For the Local Government and Civil Service Pension Scheme, the Government Actuary's Department (GAD) do not believe that there are any absent actuarial confirmations. Therefore, they do not expect any liability changes to arise following this judgement. GAD will confirm that actuarial confirmations are available in due course.

22. Events after the end of the reporting period

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

23. Date of authorisation for issue

These Financial Statements are laid before the Senedd by the Minister for Climate Change, Huw Irranca-Davies MS. IAS 10 requires the accounting officer to disclose the date on which the financial statements are authorised for issue. The authorised for issue date is the date of the Auditor General's audit report.

24. Related parties

NRW is a Sponsored Body of WG, which is regarded as a related party. During the year, NRW has had significant material transactions with WG in the normal course of business (the grant-in-aid; reported in the Statement of Taxpayers Equity and other grants received from WG during the year; reported in Statement of Net Expenditure). NRW has also had transactions with other entities for which WG is regarded as the parent organisation as well as transactions with other public sector organisations. Most of these transactions have been with Environment Agency and HMRC.

During the year NRW, in the normal course of its business, entered into the following transactions with the following organisations in which Board and Executive Members or other related parties had an interest. The Board and Executive Members have no direct involvement in the transactions with these related parties, and they are not necessarily a direct result or consequence of the relationship. We have shown transactions for the full year including where members have joined or left during the year.

Organisation	Member	Nature of relationship	Total expenditure £'000	Total income £'000	Amount owed by NRW at 31 March 2024 £'000	Amount owed to NRW at 31 March 2024 £'000
Aberystwyth University	Rhys Jones	Professor	14	3	0	1
	Spouse of Rhys Jones	Employee				
Canals and River Trust	Spouse of Julia Cherrett	Trustee	0	27	0	1
Cardiff University	Steve Ormerod	Professor	12	10	0	1
	Calvin Jones	Professor				
Cardiff University Water Research Institute	Steve Ormerod and spouse	Co-Directors				
Cardiff University Llyn Brianne Observatory	Steve Ormerod and spouse	Principal Investigators				
Cartrefi Conwy	Helen Pittaway	Non Executive Director	0	1	0	1

Organisation	Member	Nature of relationship	Total expenditure £'000	Total income £'000	Amount owed by NRW at 31 March 2024 £'000	Amount owed to NRW at 31 March 2024 £'000
Cwm Taf Morgannwg University Health Board	Kathleen Palmer	Vice Chair	0	5	0	1
Cwmni Pum Plwy Penllyn Cyf	Geraint Davies	Director	1	0	0	0
Down to Earth Project	Mark McKenna & Spouse	Directors	5	0	0	0
Joint Nature Conservation Committee	Rhys Jones Steve Ormerod	Committee Members	89	9	0	0
Keep Wales Tidy	Ceri Davies	Trustee	1	1	0	0
National Botanic Garden of Wales	Sarah Jennings	Trustee	4	1	0	0
Pembrokeshire Coast National Park Authority	Rosie Plummer	Board Member	317	1	67	0
Plantlife International	Rosie Plummer	Trustee	64	23	27	23
Royal Society for the Protection of Birds	Steve Ormerod	Vice President	953	2	765	15
Welsh Government	Calvin Jones	Employee (on secondment)	12,805	178,588	24,273	16,400