



**Cyfoeth
Naturiol
Cymru
Natural
Resources
Wales**

Annual report and accounts 2022-2023

naturalresources.wales



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Chair's foreword

The stark impact of the nature and climate crises on our communities is now clear for all to see. From devastating floods, wildfires, and droughts to the threat of disappearance of our much-loved species like the curlew, there is sufficient evidence to ensure that everyone understands that these are emergencies in the very real sense of the word, and that urgent, transformative action is needed right now.

Set against the backdrop of the current economic and geopolitical uncertainty, it is easy to feel overwhelmed by the sheer scale of the task at hand. Yet, as these interlinked crises have moved up the political agendas globally and here in Wales, we have seen more governments, businesses and members of the public join the urgent call to action to halt nature's decline and mitigate and adapt to climate change.

To this end our new Corporate Plan sets out our vision to 2030, providing clarity on what is most important, and guiding us through the inevitable difficulties that will crop up in the years ahead. We will need to show real leadership as we inspire each other, our partners, and the people of Wales to work collectively to take concerted action. I have enjoyed the discussions I have had with our staff at various visits across Wales throughout the year, and I would like to pay tribute to them for all their hard work day to day, and for the effort and energy they have shown in developing our blueprint for how we will work going forwards.

Having listened to our colleagues and to key partners and stakeholders, the plan looks and feels very different to its predecessor. We have taken a conscious decision to adopt a more strategic and integrated approach, focussing on how we work across our teams, so that working together, we can lead the response to the global nature, climate, and pollution emergencies here in Wales.

For me, one of the principal areas where we must drive improvements in collaborative working, is Water. As part of our commitment to improving water quality, Natural Resources Wales (NRW), Welsh Government (WG), Ofwat, Dŵr Cymru and Hafren Dyfrdwy have established a Better River Quality Taskforce to evaluate the current approach to the management and regulation of storm overflows in Wales, and to set out detailed plans to drive rapid change and improvement. But this is a small step on the journey to ensuring that our rivers are thriving for generations to come, with a swathe of actions that must be taken to protect habitats across Wales given the challenges to come.

Over the last year, we have seen a number of changes to our board as members come to the end of their terms with us. We have sadly said farewell to Karen Balmer and Zoe Henderson, both excellent members who have made an immense contribution to our work. More recently, four new members have been appointed, with Dr Peter Fox joining as Chair of the Flood Committee, Prof. Rhys Jones as Chair of the Wales Land Management Forum, Helen Pittaway as Chair of the Finance Committee and Kathleen Palmer as Chair of the Audit and Risk Assurance Committee. Both Mark McKenna and Prof. Calvin Jones stay on as full board members following their interim roles.

With the Corporate Plan developed and the board at full complement, we are now keen to get on with the job of delivery. I am confident that we have the frameworks in place to do this and do it well.

Sir David Henshaw

Chair

18 October 2023

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.

It is important to recognise that this is the last report we will prepare aligned to our old Corporate Plan “Managing today’s natural resources for tomorrow’s generations”. Over the course of 2022/23 the Board and Executive Team have led the preparation of our new Corporate Plan, “Nature and People Thriving Together”, refreshing our vision, mission, values and well-being objectives. This plan was launched at the end of March 2023.

Chief Executive’s statement

This has been a year of transition, as we focused on the changes needed to meet our ambition to drive action to tackle the causes and impact of the nature and climate emergencies. We set the bar high as we developed our new Corporate Plan to 2030, challenging ourselves, and key partners, to articulate clearly the aspirations and expectations of NRW - so that collectively, we can amplify our impact in tackling the nature, climate, and pollution emergencies as part of our ambition to see a Wales where nature and people truly thrive together.

We have worked diligently to understand better our own capacity and capabilities. Over the last two years a considerable amount of work has been carried out with our colleagues in WG to review NRW’s baseline activities, building a strong collective understanding of the resources available to us to deliver our remit.

Working closely with WG policy and finance officials we have developed and agreed Service Level Agreements (SLA) in ten priority areas, namely flood risk management, NRW estate, pollution incident management, enforcement, water quality, enabling tree planting, freshwater monitoring, marine monitoring, terrestrial monitoring, the Water resources (Control of Agricultural Pollution) (Wales) Regulations. Each SLA details the resources required to allow us to deliver a level of service that meets both our statutory responsibilities and the objectives set out by WG. We recognise these do not cover all areas of our business and we will focus on developing further SLAs through 2023/24.

Following the discussions throughout the baseline review, we have made the case that the resources required to deliver the level of ambition expected of NRW is higher than for which previous budget settlements have allowed. Taking full account of the current economic climate and the pressures on budgets across all areas of public spending, we are grateful to the Minister for Climate Change for the commitment made to address this issue for the next financial year and, the years ahead.

We know that many of our customers and stakeholders are also facing challenges borne of the cost-of-living crisis, and so our public consultation on reviewing our charges for

some of our permits and licences had to be handled sensitively. The responses led to our agreeing several revisions to our proposed charging schemes. While we understand this may be difficult in some cases, it is the first time we have increased our charges to recoup our costs since our inception ten years ago. From 1 April 2023, NRW's annual subsistence charges increased by 6% in eight areas of our work. Our application charges for permits and licences will remain at 2022/23 rates while we await the Minister's agreement on the introduction of a new charging scheme.

Our contribution to climate mitigation has centred on peatland restoration, the largely unsung hero in carbon capture. As hosts of the well-received 12th IUCN (International Union for Conservation of Nature) UK Peatland Programme conference in the autumn, we called for a ban on the use of peat products here in Wales. We welcome the Minister's agreement to ban the sale of peat and we will continue to make the case to go much further in Wales so that we can safeguard this precious habitat.

As part of our climate adaptation commitments, we completed major works to make sure Wales' largest natural lake, Llyn Tegid in Bala, remains safe in the long-term. Whilst Llyn Tegid is a natural lake, it needs to be managed under reservoir legislation as its embankments give protection from flooding to the town of Bala. The activity involved strengthening embankments and replacing the entire length of lakeshore rock protection. Our work to regulate Llyn Tegid under the Reservoirs Act 1975 is part of a wider ongoing programme of reservoir safety activity across Wales.

We also have projects throughout the country to strengthen the resilience of Wales' protected land and marine sites, funded through the Welsh Government's Nature Networks Programme. This investment will help halt and reverse the loss and decline of habitats and species and put Wales on a solid footing on the path to nature's recovery. Projects have been carried out on over 200 Sites of Special Scientific Interest (SSSIs) and range from the small to the landscape scale; from the mountains to the sea and from research and evidence gathering to practical action. In addition to our own work, we have worked with the National Heritage Lottery Fund and WG to offer grants to organisations across Wales to deliver their own biodiversity ambitions. In January this year, we awarded grants amounting to £3.78m to 17 projects to improve the condition and resilience of Wales' network of protected land and marine sites. These projects also supported communities around the protected sites to get involved in nature conservation.

We are working hard to support WG's target of creating 43,000ha of new woodland in Wales by 2030. Having purchased parcels of land across Wales for planting, we are looking for opportunities to create a range of types of woodland that will deliver a range of benefits for the environment, wildlife, and local communities. At Tynymynydd in Anglesey and at Coed Abermorlais in Carmarthenshire, we are working alongside the farming community to help promote nature's recovery.

This year has seen us successfully enforce several prosecutions, with some significant fines imposed. These included the prosecution of Persimmon Homes who were fined over £433K after failing to implement appropriate measures to prevent multiple pollution incidents which impacted the River Gavenny in Monmouthshire in 2019, and the confiscation of nearly £62K from the ringleader of a long-running illegal trout and salmon poaching operation on the Afon Teifi. A landowner within the Gower Area of Outstanding Natural Beauty (AONB) near Swansea, was also convicted for the illegal felling of over eight hectares of woodland.

But there have also been disappointments. Following the extensive and exhaustive investigation into the cause of the Llangennech train derailment, we had to make the difficult decision not to prosecute as we were unable to determine beyond reasonable doubt who was responsible for the derailment of the train wagon. While there was evidence identifying the likely cause, this was deemed by legal experts to be insufficient to provide a realistic prospect of conviction against a specific individual or company. We must make decisions based on public value, and unfortunately, to pursue a court case knowing there was no realistic prospect of a successful prosecution would be an inappropriate use of public funds.

Our Adfywio Programme is continuing to drive our post-pandemic ways of working to ensure that we are an agile, resilient, and more efficient organisation. Focused on decarbonisation, promoting staff well-being and financial savings, this work has considered how we can best support colleagues to work more flexibly - such as ensuring our people policies reflect and enable new ways of hybrid working, and harnesses technological advances so that staff can access services safely across many devices, including personal ones. We are finalising an accommodation strategy which looks across all our facilities to adapt our buildings to meet our future business needs, the delivery of which will involve the consolidation of office space and facilities to reflect the demands of a hybrid working environment, whilst supporting our decarbonisation aims. We are also making reductions in carbon across our fleet, replacing red diesel with Hydrotreated Vegetable Oil in our operational vehicles and implementing new travel policies to help achieve fewer, greener miles.

Our people are our most important asset. However, recruitment continues to be a significant challenge for us across key professional areas, particularly in flood risk management and engineering. Identified as one of our strategic risks, we have commissioned external support from specialists to help us improve how we recruit, and we are investing in technological solutions and providing specialist support for recruiting managers. We are determined to ensure that our systems and processes are fit for purpose, and that our colleagues are supported, empowered, and equipped for the task ahead.

The vision, mission and well-being objectives set out in our Corporate Plan will only be made real by the passion, expertise, and creativity of our people, and by inspiring our partners and stakeholders to join us on the journey. We must harness the sea-change in

attitudes and understanding amongst the public and policy makers, and the strong consensus on the urgent need for unified action to tackle the nature and climate emergencies.

Delivering our vision for Wales in 2030 as a land where nature and people thrive together is existentially challenging. But, for our colleagues in NRW who are committed to championing Wales's environment, a vision of nature and people thriving together is not difficult to imagine. We know what we need to do and how to do it.

The time to act and to make this the decisive decade of delivery for people and for nature in Wales, and around the world, is now.

Clare Pillman

Chief Executive and Accounting Officer

18 October 2023

Introducing NRW...

We are a Welsh Government 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.

They inform how our colleagues flex and respond to the diverse needs of our communities and the environment, taking a place-focussed approach to our work, applying the sustainable development principle and contributing to the seven well-being goals set out in the Well-being of Future Generations (Wales) Act 2015.

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 new Corporate Plan has been crafted with our colleagues in mind, building on our experience and learning over the last decade, and setting out our priorities to 2030.

We've set our sights on where **we** can and are best placed to lead and make a difference, using our tools, powers and our resources to drive action to meet the 2030 targets, while at the same time working with others to harness their own power to effect change.

Beyond 2030, society will face tougher choices on how Wales can reach the 2050 commitments for climate and nature. We are starting that work now - identifying, testing and making the case for change to set us on the right pathway collectively.

Our new well-being objectives take us to 2030 and encompass what we will be able to achieve ourselves, but also how we will work with others to ensure Wales meets these more immediate international targets.

Our new vision

Nature and people thriving together.

Our new 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 new 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 new values reflect, in part, where we are now as well as our aspirations for the future. They are intrinsic to the successful delivery of our new vision and mission. The values will be front and centre of everything we do to deliver our new Corporate Plan; they will be embedded in our brand, our storytelling, our learning and development, leadership and management. All our work conversations and behaviours will be rooted in these values.

Our well-being objectives to 2023

Our well-being objectives, as set out in “Managing today’s natural resources for tomorrow’s generations”, were:

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

For the 2022/23 year, our strategic priorities (below) reflected evidence that emerged over the last year including reports from the IPCC (Intergovernmental Panel on Climate Change), COP 26 and build up to COP 15. Strategic priorities on the climate and nature emergencies were reflected together for 2022/23.

- Responding to the climate emergency and the nature emergency, focussing on nature-based solutions and decarbonisation
- Using our expertise, alongside that of others, with evidence from SoNaRR 2020, to support innovative, integrated decision making to tackle the climate emergency and nature emergency
- Improve water quality through raising awareness, using our regulatory and enforcement powers effectively and working collaboratively with others to reduce the impacts on biodiversity and human health, including agricultural and land management practices
- Drive a just and green recovery following the pandemic involving a diverse range of stakeholders in our work.
- Developing NRW into an excellent organisation, with a workforce that drives a strong performance culture and delivers value for money and social and environmental value for the people of Wales

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

NRW in numbers

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

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

- 1,168 Welsh sites designated as SSSI¹, AONB, NNR and/or National Park
- We are a member of all 13 [Public Services Boards in Wales](#)

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

- We maintain around 3,800 flood risk management assets
- We processed 2,737 permit applications²

Improve resilience and quality of our ecosystems

- We manage 56 [National Nature Reserves](#) (some in partnership with others)
- Our responsibilities extend out to 12 nautical miles from the coastline
- We issued 1,258 species licences

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

- We maintain over 400km of flood risk defences
- 170 environmental incidents caused serious (major or significant) impact
- 141,000 properties have registered to receive our [flood warnings](#)

Help people live healthier and more fulfilled lives

- More than 3 million visitors visited some of our more popular sites in 2022
- We received 300 [permission applications](#) in 2022 for an event³ using land we manage
- We are responsible for 25 [accessible grade waymarked 'walking' trails](#)
- We manage 3 [visitor centres](#)

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

- We responded to 8,193 [planning consultations](#)
- We secured 66 prosecutions for environmental offences in 2022
- We generated £34m in timber income

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

- We received over 25,000 general enquiries via phone or email⁴
- We noted a 2.3% mean [gender pay gap \(in 2022/23 report\)](#)
- We invested £272m for the benefit of Wales's people and natural resources

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

² via our Permitting Service

³ (or multiple events)

⁴ via our Customer Hub

Key risks summary

As an organisation with diverse roles and responsibilities, we are aware that risk is an inherent aspect in all of our activities and part of everything we do. We have several key risks and the effective management of these is crucial to ensure we mitigate the impact that they could have on the achievement of our objectives. As outlined in our [Accountability Report](#), our risks are identified, assessed, managed, reviewed and recorded through risk registers at various levels throughout the organisation.

Our strategic risks are those that could have the biggest and most profound impact on our achievement of our objectives. Generally, many of these strategic risks relate to the impact of insufficient funding, resources and people. There are additional risks that are more specific to the organisation. As would be expected, therefore, the content of the strategic risks and their score has remained fairly static over the past 12 months. Although all of the risks on our strategic risk register are key to the organisation, a summary of those that have seen the most change over the past year are as follows:

Finance: We are funded by WG grant and in addition to this, we generate income from our own commercial activity as well as income from regulatory charges. The external impact of increasing inflation and increasing supply chain costs together with scarcity of supply has been challenging with more focus required to determine our highest priorities. See our [‘Finance summary’](#) for more around this.

Compliance: The risk focuses on non-compliance with policies that we have in place to do our jobs safely, legally and in line with public sector requirements. We continue to monitor this risk which is regularly reviewed by the risk owner as well as being scrutinised by the Audit and Risk Assurance Committee. The risk has been redeveloped to provide greater clarity around the key planned mitigations that will help us achieve our target score, which include ensuring our policies are clear, concise and accessible, providing a clear governance structure for delivery and developing our second line function which includes monitoring and analysing and in turn providing oversight and assurance that the risk is being managed effectively. Additionally, we have provided context in terms of the target score that can be achieved in the short, medium and longer term. See [‘Effectiveness of Internal Controls: Compliance’](#) for more around this.

Incident Response: In order to undertake our statutory duty as a Category 1 responder under the Civil Contingencies Act, we rely on our skilled staff, systems and procedures to manage our incidents. Changes in some staff contracts has added additional resource to the rota system, and thereby our ability to respond effectively to incidents. The Resilient Response to Incident (RRI) project has been set up and will run until 2025. The aim of the project is to achieve a sustainable approach to ensuring we have sufficient capacity and capability to undertake our incident management duties. Rota training has been progressing for priority 1 incidents with planned completion by the end of 2023. See [‘Effectiveness of Internal Controls: Management of Incidents’](#) for more around this.

Finance summary

Funding and how we spent our money

Our total income for the year was £116million and this includes £22million of grants from WG towards a range of outcomes. In addition, the WG provided £118million Grant in Aid, of which £41million was allocated to flood and coastal risk management. In the financial statements, Grant in Aid is treated as a contribution from a controlling authority and not a source of income.

In 2022/23, our expenditure increased from £255million to £272million. The change in expenditure is due to several reasons including an increase in staff costs mainly due to our pay award, delivery of our capital programmes and the increased costs of bought in services. Our total funding and spend distribution:

- Funding by type: Welsh Government Grant-in-Aid (50% / £118m), Charges (17% / £40m), Commercial and other income (21% / £49m), Other Welsh Government grants (9% / £22m), European and other external (2% / £5m)
- Expenditure by type: Staff costs (46% / £125m), Capital works expensed in year (12% / £33m), Other expenditure (42% / £114m)

Managing our money

In 2022/23, our 'core' funding from WG remained at the same cash levels as the previous year. In addition, WG provided other funding during the financial year because of a shortfall in our budget. Also, WG continued to provide us with specific grant funding for programmes targeted at addressing the climate and nature emergency. Our externally funded programmes doubled – investing more than £7m into programmes funded from Europe and the Heritage Lottery. Our timber income saw a small decrease as the economic situation impacted on demand for timber but this was offset by an increase in renewable energy income. Charge income levels have increased but less than the rate of inflation. The budget was scrutinised and approved by the Executive Team and Board.

Future look

We have just published our new Corporate Plan to 2030 and Business Plan for 2023/24 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 changes to our permitting and applications fees which will take effect from 2023/24. We have also increased our subsistence charges where necessary in some regimes, due to the impact of inflation levels. Our commercial income can be less predictable as it's very sensitive to exchange rate changes which affect timber prices. We have indicative Grant in Aid allocations up to 2024/25 which will help with our planning. We are also working closely with WG who have provided us with assurances that shortfall in our Grant in Aid allocations will be resolved during this financial year that will allow us to continue with current service levels and in some places increase those levels of service.

Non-current assets

The value of our non-current assets was £2,769million at 31 March 2023, a 9% (£234million) increase compared to last financial year. The most significant component is the value of the forest estate and biological assets which accounts for £2,235million of the total and the strong valuation of the crops on the estate was the main reason for the large increase.

Payment of trade and other payables

We have a commitment to pay 95% of suppliers within 30 days and we aim to exceed this target wherever possible. Performance for the whole year did fall just below that target (94%). Performance over the last 6 months averaged 96%, and we achieved 99% in March 2023.

Debtor performance

Our continued management of commercial debt has seen a slight increase in commercial debt, with the average number of days for customers to pay remained at 1 day compared to 2021/22, which is still within our target of 2 days.

Our management of regulatory debt has seen a decrease in the level of debt from 2.9% in 2021/22 to 6.5% at the end of 2022/23, which was still below our target of 7%. We will set a target that improves upon the 6.5% for 2023/24.

NRW's expected credit loss is £0.2million as at 31 March 2023.

Going Concern

The Statement of Financial Position at 31 March 2023 shows positive taxpayers' equity of £2,710million. The future financing of our liabilities is to be met by the Welsh Government Grant in Aid and the application of future income. We have an approved Corporate Plan and Business Plan for 2023/24. Therefore, it is appropriate to adopt a going concern basis to prepare the Financial Statements.

Pensions

The pension liability is disclosed in the Financial Statements based on International Accounting Standard 19. The liability has decreased for the Local Government Pension Scheme from £54.4million to a surplus of £65.3million in the year.

This is different from the basis used for funding calculations. The Environment Agency Pension Fund has estimated that it had enough assets to meet 142% of its expected future liabilities at 31 March 2023.

Auditors

Our accounts are audited by the Auditor General for Wales. The audit fee for 2022/23 was £199k.

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 performance framework relate to our Well-being Objectives set out in our Corporate Plan 'Managing today's natural resources for tomorrow's generations' to March 2023. Reporting and scrutiny of topic reports and measure reports in our Business Plan dashboard takes place in open public session at NRW Board meetings four times a year, with further scrutiny of this reporting via WG.

At the end of the 2022/23 year our Business Plan dashboard included 31 measures, across 15 topics. At year end, of those measures:

- 19 were Green (i.e. achieved target or milestone)
- 12 were Amber (i.e. close to target or milestone)
- None were Red (i.e. missed target or milestone)

Comparing performance with the previous year (2021/22), at the end of 2022/23 we had three less green measures, with four more measures amber or red (and the 2022/23 dashboard reflected one more measure overall⁵).

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

⁵ 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 position⁶ for each of our Business Plan dashboard measures;
- some of our planned priority activity for the coming year;
- a number of related delivery examples (some of which relate to a number of our Well-being Objectives)

Delivery relationships with Wales' Well-being Goals are indicated (see approach to this below).

Wales' Well-being Goals: *In the following part of this annual report and accounts we have also indicated some item relationships with Wales' Well-being Goals⁷. Selected linked Goals are listed with any 'main' linked Goals underlined.*



So, if the line below was included for an item it would reflect “A globally responsible Wales” is the ‘main’ related Goal, and that “A more equal Wales” and “A healthier Wales” also relate

Linked Wales' Goals: Globally Responsible, More Equal, Healthier

⁶ To see our in-year reported positions on all these measures, please refer to our published NRW Board papers [here](#).

⁷ To find out about Wales Well-being Goals, please see [Wales' Well-being Goals webpages](#). Or, for more on the Goals' relevance to the [UN's Sustainable Development Goals \(SDGs\)](#), please see [SDGs' relationship with Wales' National Indicators and Wales' Well-being Goals](#).

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

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

Linked Wales' Goals: [More Equal](#), [Healthier](#), [Resilient](#), [Prosperous](#), [Globally Responsible](#), [Vibrant Culture and Thriving Welsh Language](#), [Cohesive Communities](#)

Reflecting on our **Business Plan dashboard progress for 2022/23**, we:

- *Progressed Natur a Ni / Nature and Us*, to prepare a shared vision for the natural environment to 2050, with a shift in timescale agreed. Measure status: Amber
- *Set strategic direction for projects* addressing Area Statement and Public Services Boards' priorities and opportunities. Measure status: Green
- *Informed development of Welsh Government land management policy and legislation*. Measure status: Green

Looking forward, our new [Business Plan](#) includes our priority commitments for the coming year to achieve our new [Corporate Plan](#).

We have included more detail on a number of the above final measure positions as part of the **delivery examples from 2022/23** which follow...

A shared vision for the natural environment in 2050

Nature and Us involved people, communities and organisations across Wales to develop a vision for the natural environment of Wales in 2050. Through creating the vision for Wales with the people of Wales, the emerging vision can be carried forward by everyone to create a better future for nature and for us.

The Nature and Us programme involved people, communities and organisations in Wales to develop a shared vision for 2050 and the changes we all need to make leading up to 2030 and 2050.

An online campaign in Spring 2022 generated over 3,000 individual responses setting out what people want, and what concerns them, for the future of our environment. Over the summer, we held focus groups with communities under-represented in the initial involvement exercise. This helped us explore the motivations and barriers behind peoples' visions and concerns for the future. For findings, see: www.natureandus.wales

Early in 2023 a citizens' assembly was held to shape the vision. Assembly members represented the diversity of Welsh society and the sessions were co-designed with organisations from across the public sector to ensure a balanced range of evidence. The resulting vision describes a future where nature and society thrive together, including what benefits this provides, and identifies key areas for change to make this vision a reality.

The well-being objectives in our new Corporate Plan built upon Nature and Us findings.

The vision will be released in Summer 2023 and work with partner organisations will continue, to draw out responses to the vision and actions to take. NRW will respond formally to the vision, setting out our role in achieving it.

Sustainable Development (SD) and SMNR principles have been firmly rooted in our design, and the vision will help provide a long-term focus for all public bodies. An evaluation will capture key lessons learnt for all public bodies. An evaluation will capture key lessons learnt for NRW around engagement, involvement and communication practices.

*Linked Wales' Goals: **More Equal**, **Healthier**, **Resilient**, **Prosperous**, **Globally Responsible**, **Vibrant Culture and Thriving Welsh Language**, **Cohesive Communities***

Marine Licence granted for Wales' first Floating Offshore Wind Farm

In February 2023 we granted a Marine Licence for Wales' first Floating Offshore Wind Farm. Our permitting service acting in accordance with legislation to ensure sustainable management is key to the determination of permit applications.

Project Erebus is a 100MW renewable energy Floating Offshore Wind Farm (FLOW) within the Celtic Sea comprising up to a maximum of seven turbines located just over the 12 nautical mile limit within the Welsh Offshore region with an export cable route making landfall at West Angle Bay, Pembrokeshire. Project Erebus required a 'EIA Band 3' Marine Licence which was determined by NRW Permitting Service and a Section 36 consent from Welsh Ministers following the recommendation of Planning and Environment Decisions Wales (PEDW). In coming to their decision PEDW deferred to the Environmental Impact Assessment (EIA) consent decision of our Marine Licensing Team in respect to requirements of the EIA Regulations. The marine licence was granted in February 2023 and construction is scheduled for 2025.

When determining marine permit applications, NRW need to have due regard to legislation designed to protect the environment, protect human health, prevent interference with legitimate uses of the sea and any other matters considered relevant.

We considered the Marine and Coastal Access Act (2009), Environmental Works (EIA) Regulations (2007) (as amended), Environment Wales Act (2016) and Well-being of Future Generations Act (2015) in determining Project Erebus, Wales' first FOWF.

We acknowledge that the principles of sustainable management include taking account of all relevant evidence and gathering evidence in respect of uncertainties, and taking account of short, medium and long-term consequences of actions. We further acknowledge that it is an objective of sustainable management to maintain and enhance the resilience of ecosystems and the benefits they provide and, in so doing meet the needs of present generations of people without compromising the ability of future generations to meet their needs. In determining Project Erebus' marine licence, our Marine Licensing Team ensured the right development was consented in the right place.

*Linked Wales' Goals: **Healthier**, **Resilient**, **Prosperous**, **Globally Responsible***

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

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

*Linked Wales' Goals: **Healthier**, **Resilient**, **Prosperous**, **Globally Responsible**, **Vibrant Culture and Thriving Welsh Language**, **Cohesive Communities***

Reflecting on our **Business Plan dashboard progress for 2022/23**, we:

- *Delivered a programme to review statutory water quality requirements*, and finalised the Dee and Severn River Basin Management Plans. Measure status: Amber
- *Supported Welsh Government's renewable energy deep dive recommendations*, with NRW planned activity for the year mostly complete. Measure status: Amber
- *Created new woodland on the NRW Estate*, with 164ha of woodland established this year, and six sites secured (207ha) for future woodland creation. Measure status: Green
- *Retained certification relating to the UK Woodland Assurance Standard*, with no major corrective action requests. Measure status: Amber
- *Input into Water Company Planning programmes*, and responded to related plans. Measure status: Green
- *Redesign of our freshwater quality network* was rescheduled. Completion now expected by the end of June 2024. Measure status: Amber
- *Worked to reduce the impact of nutrients in SAC rivers*; Publishing advice, updating our guidance and supporting the production of future plans. Measure status: Amber
- *Acted to restore Wales' peatlands*, delivering 629ha of peatland restoration activity (including 85ha on the NRW estate). Measure status: Green

Looking forward, our new [Business Plan](#) includes our priority commitments for the coming year to achieve our new [Corporate Plan](#).

We have included more detail on a number of the above final measure positions as part of the **delivery examples from 2022/23** which follow...

New Authorisations – Signed, sealed, delivered

We have brought previously exempt water abstractors into the licencing regime to ensure Water in Wales is managed sustainably and that NRW has regulatory control to secure compliant activity that maintains and enhances the environment of Wales.

Over the past five years Natural Resources Wales has embarked on a significant challenge in delivering the requirements of the Water Abstraction (Transitional Provisions) Regulations 2017. On the 1 January 2018 legislative changes, set within the Water Act 2003, required previously exempt Water Abstractions to be regulated under a new licence called a 'New Authorisation'.

Prior to the changes being introduced we engaged with stakeholders through public events, the publication and distribution of information leaflets and social media, as well as using local intelligence on previously exempt abstraction activities.

In the background, our Permitting Service's Water Resources Permitting Team and the Water Policy Teams were also busy creating what was needed for both internal and external customers. New policy, guidance, training, and tools were delivered to provide support for the new application process.

In total, 117 applications were validated and in 2020 we set to work on determining each application. The determination of these licences was extremely challenging due to the existing nature of the abstractions. Significant technical input from many areas of the business was provided to support this. Due to the dedication of staff across our organisation we were able to reach a decision on all applications within the legislative timeframe of the 31 December 2022.

Now that these formerly exempt abstractors have a licence, we can begin to regulate them, ensuring that compliance and improvement can be achieved. We now can record more precisely the amount of water that is abstracted in Wales allowing us to improve water resources planning in our catchments. All to maintain and enhance the environment of Wales.

New woodland on the Welsh Government Woodland Estate

In 2022/23 we established 95 hectares of new canopy cover on the Welsh Government Woodland Estate (WGWE) - compensating for woodland lost from it, and ensuring we maintain future timber resource and the full range of benefits delivered by public woodlands.

Our woodland creation programme compensates for woodland lost from the WGWE in relation to renewable energy developments - Acquiring land and establishing new woodland that will be managed as part of the WGWE in perpetuity. At the start of 2022/23, Wales' woodland covered 310 thousand hectares⁸ (a figure unchanged since 2019), with 115 thousand hectares of this managed by NRW as part of the WGWE.

In 2022/23 we established four sites, a gross area of 164ha resulting in 95ha of new canopy cover. We carried out work on three sites (84ha) created in recent years to ensure they continue to establish successfully. We also acquired a further 207ha for planting in the coming planting season.

In identifying and planning new sites we carefully consider site conditions, existing habitats, local landscape and communities. Our plans are guided by the UK Forestry Standard and the principles of the SMNR. All woodland forming part of the WGWE is certified in relation to the UK Woodland Assurance Standard (an independent certification standard for verifying sustainable woodland management).

As part of our woodland creation work in 2022/23, we carried out a number of public consultations on our plans; Ensuring that the needs of neighbours and local communities are considered, and that stakeholders can input into our plans. As a result, we have included some innovative aspects into the woodland schemes we planted last year, including community orchards, a silvopasture demonstrator site and the beginnings of a new community partnership.

Another key principle of our woodland creation is ensuring resilience. We planted a diverse range of species, that we hope will be resilient to the future climatic conditions of the sites and contribute to the overall resilience of the WGWE.

*Linked Wales' Goals: **Healthier**, **Resilient**, **Prosperous**, **Cohesive Communities***

⁸ See ['Forestry Statistics 2022'](#)

Improve the resilience and quality of our ecosystems

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

Linked Wales' Goals: [More Equal](#), [Healthier](#), [Resilient](#), [Prosperous](#), [Globally Responsible](#), [Vibrant Culture and Thriving Welsh Language](#), [Cohesive Communities](#)

Reflecting on our **Business Plan dashboard progress for 2022/23**, we:

- *Managed programmes to address and restore habitat* across Wales. Measure status: Green
- *Acted for declining species* or those on the edge of extinction, including applying for future funding. Measure status: Green
- *Delivered on Wales Marine Protected Areas* network management actions. Measure status: Green
- *Completed priority actions* across NNRs in NRW direct care, completing 68% of these. Measure status: Amber
- *Completed priority actions* on protected sites to improve the condition features. Measure status: Green

Looking forward, our new [Business Plan](#) includes our priority commitments for the coming year to achieve our new [Corporate Plan](#).

We have included more detail on a number of the above final measure positions as part of the **delivery examples from 2022/23** which follow...

Area Statements – Reducing diffuse pollution and improving water quality

In North East Wales we have successfully delivered a series of projects in 2022/23 addressing diffuse pollution and improving water quality within the Clwyd catchment. This is just one example of our work on this, in one part of the North East of Wales.

The [Area Statements](#) we publish reflect priorities, risks and opportunities for areas of Wales. We have published seven Area Statements, including a marine Area Statement. The [North East Wales Area Statement](#) reflected that 68% of all its freshwater water bodies (as defined by the Water Framework Directive) were not achieving good or better overall status. Within the Clwyd catchment, a number of projects have been delivered in 2022/23 which included addressing related issues at four different locations in the lower Wheeler, Hesbin, and Dwr Ial.

Interventions were targeted to deliver water quality enhancements, alongside other environmental, biodiversity, health and well-being benefits in line with the Area Statement's priorities. The interventions were developed into a programme of works for each location. Interventions included:

- Removing phosphates from watercourses, by elimination of stock access
- Reducing sediment loading from bankside erosion
- Improving the Water Framework Directive condition status of each waterbody

Each project successfully delivered the identified interventions, and is expected to help to improve water quality within each waterbody and the wider Clwyd catchment. The projects further played a part in contributing to a much greater catchment approach, extending the fencing of riparian corridors already completed elsewhere by the Rivers Trust and ourselves.

Relationships with partners have also improved as a result of these projects, enabling more collaborative and innovative practices to be considered in the future to help manage land sustainably and improve water quality.

Across Wales, 40% of 933 surface and ground water bodies were at good status in 2021 - an improvement of 3 percentage points from that reported in 2015 and an 8 percentage point improvement since 2009.

Linked Wales' Goals: [More Equal](#), [Healthier](#), [Resilient](#), [Prosperous](#), [Globally Responsible](#), [Vibrant Culture and Thriving Welsh Language](#), [Cohesive Communities](#)

Tackling unconsented works on rivers and streams

Our focus on the prevention and regulation of physical harm (hydromorphological harm) to rivers is providing better protection to freshwater habitats and species from unauthorised damaging works.

Unconsented works on rivers and streams in Wales have the potential to cause long-term harm to freshwater habitats and species, as well as cause additional problems such as increased flood and erosion risk. Unconsented activities we see have included dredging, shoal removal, watercourse realignment, inappropriate bank protection, culverting and gold panning.

Recognising the potential damage these activities can cause, we implemented a new process for responding to these incidents as part of our ambitious River Restoration Programme. We respond to these incidents with high priority to stop works and prevent further harm, and have a range of enforcement options, including the use of regulatory notices. These notices can be used to both stop the work and to ensure any damage caused is put right. We have served around 40 such notices since June 2021. We also have the option to pursue a prosecution if a particularly severe incident is caused. We continue to provide advice on proposed works affecting watercourses, to ensure landowners are aware of all necessary permissions and required measures to avoid impacts to biodiversity, water quality and flood risk. During 2022/23, we also rolled out additional training and guidance to our staff for dealing with these incidents, and undertook proactive communications work to raise awareness amongst landowners of the need for permission for certain works.

We presented our new process for dealing with hydromorphological harm at Welsh River Restoration seminars and a UK conference in 2022, and this has resulted in regulatory authorities from England, Scotland and Norway approaching us for further information and advice.

We will continue to prevent unconsented works taking place, and to encourage those wishing to undertake works contact us for advice in the first instance – protecting our rivers and streams for the future.

Linked Wales' Goals: [Resilient](#), [Globally Responsible](#)

Area Statements - Partnership working through the Gwent Green Grid

Gwent Green Grid is a regional collaborative partnership that has continued to act in 2022/23 to improve the resilience and quality of our ecosystems in a more joined up and integrated way, connecting people with nature and responding to the climate and nature emergencies locally and at the landscape-to-regional scale.

The [Area Statements](#) we publish reflect priorities, risks and opportunities for areas of Wales. We have published seven Area Statements, including a marine Area Statement. The [South East Wales Area Statement](#) reflects how a landscape panel approach was used in relation to the 'Linking our Landscapes' theme which drew on the expertise of the Gwent Green Grid partnership, along with other partnerships, in its development. The [Gwent Green Grid](#) Partnership is a regional collaboration between all five local authorities in South East Wales, Forest Research, Severn Wye Energy and ourselves that works together involving partners and stakeholders to deliver local to landscape-scale green infrastructure outcomes for the wellbeing of Gwent.

The partners have worked collaboratively across our built and natural environment to deliver better management of species-rich grassland and woodland, including community-led initiatives to safeguard and enhance both connectivity and access to nature. This has included embedding ways of working and both developing and integrating shared services and best management practice (for example 'cut and collect') to deliver multiple benefits including pollinator friendly "[Nature Isn't Neat](#)" outcomes.

The collaborative and integrated ways of working and suite of strategies and projects enables the partnership to contribute to the resilience of our natural resources, providing vital health and well-being benefits for current and future generations across the region - aligning with and delivering the Well-being of Future Generations Act and Environment Act locally and the landscape to regional-scale.

Looking ahead, the partnership will continue to work together to deliver local to landscape-scale high quality green infrastructure for the benefit of nature and people. This includes delivery of resilient ecological networks across the region to adapt to the climate and nature crises. Working together, partners will build resilience within and between our protected sites network, increase accessible green space, tackle health and well-being inequalities, as well as enhance green skills training and apprenticeship opportunities. The partnership offers a collective response to the nature and climate emergencies, supporting a more inclusive, greener, and resilient Gwent.

Linked Wales' Goals: [More Equal](#), [Healthier](#), [Resilient](#), [Prosperous](#), [Globally Responsible](#), [Cohesive Communities](#)

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

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

Linked Wales' Goals: [More Equal](#), [Healthier](#), [Resilient](#), [Prosperous](#), [Globally Responsible](#), [Cohesive Communities](#)

Reflecting on our **Business Plan dashboard progress for 2022/23**, we:

- *Responded to incidents*, exceeding our 95% target for response within four hours to incidents initially classed as 'high' category. Measure status: Green
- *Acted to reduce pollution from metal mines*, assessing and remediating high risk sites. Measure status: Amber
- *Maintained flood risk assets*, achieving 98.3% at target condition within high-risk systems. Measure status: Green
- *Reduced flood risk (or sustained protection)* for 1,647 properties via capital schemes. Measure status: Green
- *Implemented flood review actions*, with 59 being completed, and a report planned to cover off remaining longer-term actions and work closures. Measure status: Amber
- *Consulted on flood risk management plans*, with plans publication now expected by September 2023. Measure status: Amber

Looking forward, our new [Business Plan](#) includes our priority commitments for the coming year to achieve our new [Corporate Plan](#).

We have included more detail on a number of the above final measure positions as part of the **delivery examples from 2022/23** which follow...

Producing our Flood Risk Management Plan

Our updated Flood Risk Management Plan for Wales will identify what is at risk of flooding and set objectives, priorities and measures to manage the risk of flooding over the next six years.

In 2022/23 we developed and consulted on the publication of our next [Flood Risk Management Plan \(FRMP\) for Wales](#). This plan is a requirement of the Flood Risk Regulations 2009 and represents our compliance with the second cycle of the required actions under these regulations.

The draft plan contains our objective for managing flood risk over the period of this next plan, including 14 priorities in regard to how we will go about our work, 58 national measures or actions to be taken at a strategic level and 264 local place based measures of proposed action in over 150 different communities across Wales.

The draft plan includes the latest assessment⁹ of flood risk across Wales, which shows a total of 72,170 properties at risk of flooding from the sea and 91,877 properties at risk of flooding from rivers.

We engaged and consulted across our organisation in the plan development and the plan was shared with our partners and the public through a formal 13 week consultation in March 2023.

Following the end of the consultation period in May we will consider the comments and feedback submitted through the consultation to finalise our plan which we expect to publish by September 2023.

Linked Wales' Goals: [More Equal](#), [Healthier](#), [Resilient](#), [Prosperous](#), [Globally Responsible](#), [Vibrant Culture and Thriving Welsh Language](#), [Cohesive Communities](#)

⁹ Based on December 2021 figures

Sole regulators for Kronospan

In October 2022 we met the requirements of a Welsh Government Direction and consolidated two regulators permits into one, becoming the sole regulator for the Kronospan particleboard factory in Chirk, North Wales.

Kronospan Limited have been operating a particleboard and MDF manufacturing plant in Chirk, North Wales for many years. Activities on the site are regulated by the Environmental Permitting Regulations 2016 (EPR) to control the levels of potentially harmful pollutants and ensure that operating techniques are in line with technical advances and industry standards known as best available techniques.

The activities on-site have been the subject of various Directions from Welsh Government. The first in 2003 split regulation between Wrexham County Borough Council (WCBC) and the Environment Agency Wales (now subsumed into NRW). The latest Direction in 2018, required NRW to consolidate the two regulators permits for the site into one, and then subsequently conduct all regulatory functions in relation to that permit. In 2022 we completed a four year long in-depth detailed assessment of existing and new activities at the Kronospan site, consulting with stakeholders and the public. Our thorough assessment of pollutant emissions and potential impacts from activities within the Kronospan site, establishes a baseline for future improvements as standards and emission limits are tightened. The consolidated permit was issued to the operator in October 2022 and it includes several improvement conditions for the operator to implement within 18 months of permit issue.

This means that NRW has now become the single environmental regulator for the site and will conduct all future regulatory functions in relation to the permit.

Linked Wales' Goals: [More Equal](#), [Healthier](#), [Resilient](#), [Prosperous](#), [Globally Responsible](#), [Vibrant Culture and Thriving Welsh Language](#), [Cohesive Communities](#)

Llangennech train derailment

Following a train derailment in August we acted with partners to protect people and communities.

The related investigation concluded in February 2023. [On August 26, 2020, a 2,500 tonne freight train derailed on the shoreline of the Loughor Estuary near Llangennech, Carmarthenshire](#), resulting in the spillage of 330,000 litres of diesel and a fire which threatened a highly sensitive internationally important Burry Inlet Special Area of Conservation (SAC) estuarine environment and major cockle fishery - a highly sensitive, internationally important, estuarine environment

The incident had a detrimental effect on the environment and impacted local businesses and tourism. Shellfisheries were closed for seven weeks as a precaution following advice from the Food Standards Agency. The section of railway line was closed for seven months.

Environmental disaster was avoided thanks to extensive works carried out as part of a recovery operation by Adler and Allan Ltd contractors on behalf of DB Cargo and their insurers, supported by Jacobs on behalf of Network Rail, with technical support from Natural Resources Wales, Carmarthenshire County Council, City and County of Swansea Council, The Coal Authority, the Food Standards Agency and Public Health Wales.

Following the incident there have been two separate Major Incident Reviews which highlighted important learning points and the excellent collaboration and communication between the main professional partners, including NRW and Network Rail. [In February 2023 our investigation concluded](#) there was insufficient evidence for a successful conviction and it would be a reckless use of public monies to pursue a prosecution. Monthly monitoring of the fishery will continue until April 2023 to ensure hydrocarbon levels remain at safe background levels. The work to protect the fishery coincides with a review of both Cockle Fishery Management Plans in Wales.

Linked Wales' Goals: [Healthier](#), [Resilient](#), [Prosperous](#), [Globally Responsible](#), [Vibrant Culture and Thriving Welsh Language](#), [Cohesive Communities](#)

Reducing flood risk and sustaining flood protection through our Capital work

Contributing to the reduction of flood risk to communities across Wales by both building new and also maintaining our network of over 400km of flood defences in Wales.

Over 2022/23 we invested over £20million through our flood risk management capital programme, delivering substantial improvements to our flood defence network and supporting the development of a pipeline of projects which will be delivered in future years. Over 26,000 properties in Wales have previously been assessed as being at high risk from flooding from rivers and over 48,000 properties at high risk from the sea.

Highlights this year included the completion of reservoir safety works at [Bala](#), Cowbridge and Llandudno Junction, which have ensured sustained protection to over 1,100 properties and that our structures remain compliant with the Reservoirs Act (1975). We have also undertaken smaller repair and refurbishment projects across Wales which has benefitted a further 500 properties.

We have completed improvement works at Llanfair Talhaiarn to reduce the risk of flooding to the community. The village has suffered from numerous flood events in recent decades and the improvements to structures both within the village and upstream will reduce the risk to 33 properties.

[Project development work](#) developed within the 2022/23 programme is likely to lead to a reduction in flood risk to over 3,400 properties in the medium term, i.e. the next 5-10 years. This includes major construction schemes such as Stephenson Street (Newport) and Ammanford (Carmarthenshire) which will be reducing flood risk to over 1,000 properties in the next 2-3 years. Construction at both schemes started in 2022/23 and will continue into 2024.

Linked Wales' Goals: [Healthier](#), [Resilient](#), [Prosperous](#), [Globally Responsible](#), [Cohesive Communities](#)

Help people live healthier and more fulfilled lives

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

Linked Wales' Goals: [More Equal](#), [Healthier](#), [Prosperous](#), [Globally Responsible](#), [Vibrant Culture and Thriving Welsh Language](#), [Cohesive Communities](#)

Reflecting on our **Business Plan dashboard progress for 2022/23**, we:

- *Acted to develop and implement a programme* to examine a proposed new National Park (in North East Wales). Measure status: Green
- *Delivered a full programme* of training, resources and communication projects reaching over 1,000 individuals. Measure status: Green

Looking forward, our new [Business Plan](#) includes our priority commitments for the coming year to achieve our new [Corporate Plan](#).

We have included more detail on a number of the above final measure positions as part of the **delivery examples from 2022/23** which follow...

Area Statements – Supporting well-being through ocean literacy

For citizens of Wales to live healthier and more fulfilled lives, we need to ensure we are living sustainably and supporting biodiversity and resilience in all our natural resources. We are working in partnership to build ocean literacy in support of Marine Area Statement priorities.

The [Area Statements](#) we publish reflect priorities, risks and opportunities for areas of Wales. We have published seven Area Statements, including a marine Area Statement. The [Marine Area Statement](#) identified “*Reconnecting people to Welsh coasts and seas*” as a key priority and over the past year we have been supporting a collaborative and co-productive approach to building ocean literacy through the Wales Coast and Seas Partnership – a strategic partnership that brings together multiple partners and stakeholders working around the coasts and seas of Wales.

Ocean literacy is essentially “understanding your individual and collective influence on the ocean, and it’s influence on you”. Contributors to an initial workshop in June 2022 highlighted the need for a vision for ocean literacy in Wales. Since then, we have developed a network of ocean literacy champions, involved in national and international ocean literacy work, who have continued to meet through workshops, online meetings, face-to-face and hybrid sessions to begin to pull together an ocean literacy strategy and implementation plan for Wales.

A draft vision for the strategy is that “*The people of Wales understand, value and have access to the benefits of Wales’ marine and coastal environment, taking decisions in their day-to-day life that support its sustainable future*”. Key objectives of the developing action plan include promoting safe and equitable access to our coasts and seas; enabling people to value the wide range of benefits from marine and coastal environments; and promoting changes in individuals’ behaviour and in local and strategic policy development that supports the sustainable management and use of our seas.

The group are working towards sharing a draft vision, strategy and implementation plan by the end of the 2023.

Linked Wales’ Goals: [More Equal](#), [Healthier](#), [Resilient](#), [Prosperous](#), [Globally Responsible](#), [Vibrant Culture and Thriving Welsh Language](#), [Cohesive Communities](#)

People enjoying their local environment

We continue to encourage and support people getting outside to improve their physical and mental health, including through making further improvements across Wales for sites we manage. We have:

- Phased more WGWE sites into the National Forest scheme
- Enhanced visitors' experience in woodlands and NNRs Improving signage, wayfinding and trailside interpretation for 266 waymarked trails on the estate we manage
- Displayed new heritage interpretation at our visitor centres, explaining the cultural significance of these site features
- Maintained 47 mountain bike trails
- Worked with local groups to manage wild mountain bike trails
- Installed a suite of 25 visitor counters at our busiest sites
- Provided [new information online around site and trail accessibility for visitors](#) – enabling people to decide which would be best for them to visit
- Created and promoted two films about visiting our woodlands and reserves
- Produced a new brochure promoting visits to our woodlands and NNRs across Wales
- Improved the range of images we hold - reflecting visits to more sites by more people
- Provided information online for visitors through the [Days Out pages of our website](#), including places to visit, things to do and status updates in relation to sites (e.g. temporary site closures)

We continued to welcome [permissions applications for recreational events](#), including cycling, running, horse riding and triathlons – encouraging and supporting outdoor exercise across sites we manage. We worked on a new improved application form and an online check service, to support customers applying for permission to carry out their activity. We also started on the development of a recreation strategy for publication in June 2024.

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

Linked Wales' Goals: [More Equal](#), [Healthier](#), [Resilient](#), [Prosperous](#), [Globally Responsible](#), [Vibrant Culture and Thriving Welsh Language](#), [Cohesive Communities](#)

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

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

Linked Wales' Goals: [More Equal](#), [Healthier](#), [Resilient](#), [Prosperous](#), [Globally Responsible](#), [Vibrant Culture and Thriving Welsh Language](#), [Cohesive Communities](#)

Reflecting on our **Business Plan dashboard progress for 2022/23**, we:

- *Issued permits and licences*, with 86% of permits issued within statutory timescales. Measure status: Amber
- *Offered 719,700m³ of timber* to market. Measure status: Green
- *Subjected compliance breaches to further assessment*, following up category 1 and 2 compliance breaches within six months. Measure status: Green
- *Decided on appropriate enforcement responses* in relation to environmental crime within three months. Measure status: Green

Looking forward, our new [Business Plan](#) includes our priority commitments for the coming year to achieve our new [Corporate Plan](#).

We have included more detail on a number of the above final measure positions as part of the **delivery examples from 2022/23** which follow...

Review of Waste Incinerator Permits Completed

We have reviewed permits for Wales' large waste incineration sites during 2022 to ensure the sites are performing to the highest environmental standards.

We reviewed permits against the latest industry best practice which ensures that the waste incineration industry continue to use the best available techniques for preventing or minimising pollution and impacts on the environment. These techniques could include the technology used and the way an installation is maintained, operated, and decommissioned.

Wales has five waste incineration sites, including two municipal waste incinerators, two biomass incinerators and a clinical waste incinerator. Each one will have to meet tighter limits on pollutants they can release as well as undertaking additional monitoring. Across all sites the emission limit for particulate matter has been reduced by 50%. At the two municipal waste incinerators the new mercury emission limit secures a 60% reduction, and at one site the limit for oxides of nitrogen has been tightened by 55%.

Through an improvement condition added to all permits, operators are now required to investigate the reduction of oxides of nitrogen beyond current standards, and all sites are required to implement new management plans in relation to abnormal, start-up and shut-down operations.

Overall, the new permit conditions ensure that we continue to have an efficient regulatory tool, driving ongoing future improvements.

*Linked Wales' Goals: **More Equal**, **Healthier**, **Resilient**, **Prosperous**, **Globally Responsible**, **Vibrant Culture and Thriving Welsh Language**, **Cohesive Communities***

Supporting Wales' forest infrastructure

Our Forest Roads Construction Framework is a £36m framework we launched in 2022 for the creation of forest tracks, roads, bridges and other associated forestry infrastructure on the WGWE; enabling future timber harvests and the management of the Estate.

Timber harvesting in Wales creates multiple benefits for the Welsh economy; supports local industry and increases opportunities for employment in Wales, including our rural communities. The Welsh Forestry sector as a whole is worth over £450million to the economy¹⁰

Under the framework, to ensure suppliers are fully committed to carbon reduction, bidders were required to demonstrate related initiatives they were undertaking. This included the emission standards of their fleet and fleet improvement plans, and a commitment to provide regular fuel data to us, so improvements can be measured.

In addition to forestry infrastructure providing for timber harvesting, when it is not in active use for this, much of it is used for recreational purposes, providing places for the public to keep active and walk, trek or cycle; creating associated tourism opportunities in forestry areas supported by our visitor centres.

Contracts including those for restocking forests, ground preparation for planting, and supply of tree planting services also form part of our approach to maintaining the forest cycle. These contracts support sustainable timber harvesting levels on the [Welsh Government Woodland Estate](#) as we set out in a [Timber sales and marketing plan](#), aligned to the requirements of relevant standards, including the [UK Woodland Assurance Standard \(UKWAS\)](#).

*Linked Wales' Goals: **Healthier**, **Resilient**, **Prosperous**, **Globally Responsible**, **Vibrant Culture and Thriving Welsh Language***

¹⁰ See [Natural Resources Wales / Why use wood?](#)

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

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

Linked Wales' Goals: [More Equal](#), [Healthier](#), [Resilient](#), [Prosperous](#), [Globally Responsible](#), [Vibrant Culture and Thriving Welsh Language](#), [Cohesive Communities](#)

Reflecting on our **Business Plan dashboard progress for 2022/23**, we:

- *Acted to develop a low emissions fleet and built estate*, that is climate adapted. Measure status: Amber
- *Provided submissions and evidence* in relation to environmental governance. Measure status: Green
- *Delivered on Diversity and Inclusion*, initiating all actions for year one of our 'All Together' strategy. Measure status: Green

Looking forward, our new [Business Plan](#) includes our priority commitments for the coming year to achieve our new [Corporate Plan](#).

We have included more detail on a number of the above final measure positions as part of the **delivery examples from 2022/23** which follow...

Diversity and Inclusion

We want to be an organisation where everyone feels they can participate - recognised as being open to new ideas, perspectives and innovation - inclusive and representative of Wales

Our Diversity and Inclusion strategy set out our approach and in the last year we have:

- worked collaboratively with Environmental Non-Government Organisations (eNGO's) in March 2022 to better understand work taking place working with ethnic minority groups to increase their connection with nature and diversify the environmental sector in Wales.
- facilitated a workshop with senior leaders from eNGO's in November 2022, which explored ways of working and developed long term actions to engage with marginalised ethnic groups. This work will complement the WG Anti-racist Wales Action Plan in working collaboratively, on actions we can take collectively immediately and in the future.
- worked closely with WG, developing action based on evidence from data and "lived experiences" of minority ethnic people from across Wales, including on climate change, rural affairs, and environment.
- involved our Equality, Diversity and Inclusion Forum, which has representation from across our organisation and has provided valuable insight.

We have also made use of our staff networks, which play an important part when developing our policies and procedures helping to make the organisation more inclusive - sharing experiences, knowledge and information. One example of this was the launch of our 'Work and Wellbeing Passport'. The passport is used by staff looking to explain how work impacts on their personal circumstances, to balance their work and personal life in a better way, supporting a confidential conversation with a manager on this - helping to understand circumstances, discuss, and agree adjustments - contributing to the physical, mental health and wellbeing of staff. The use of the passport was originally instigated by our Carers Network, following good practice shared by [Employers for Carers UK](#), which was recognised as being of potential benefit to a wider group of staff.

To find out more on any of the above, please see our latest [Diversity and Inclusion Annual Report](#)

Linked Wales' Goals: [More Equal](#), [Healthier](#), [Resilient](#), [Prosperous](#), [Globally Responsible](#), [Vibrant Culture and Thriving Welsh Language](#), [Cohesive Communities](#)

Clare Pillman

Chief Executive and Accounting Officer

18 October 2023

Accountability Report

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

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

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

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

Corporate Governance Report

Directors' Report

The Chief Executive is supported by a team of Executive Directors who together form our Executive Team (ET). There have been no changes to the Executive Team during 2022/23.

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

Our Executive Team Register of Interests as at March 2023 is included here.

Name	Position	Interest	Individual	Role
Clare Pillman	Chief Executive	Resident in an area that may be considered for the proposed new National Park	Personal	
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
Prys Davies	Executive Director of Corporate Strategy and Development	Executive or Non-Executive Board, Committee or Trust Membership	Personal	School Governor, Ysgol Pencae, Cardiff
Gareth O'Shea	Executive Director of Operations	No interests to declare		
Rachael Cunningham	Executive Director of Finance & Corporate Services	Executive or Non-Executive Board, Committee or Trust Membership	Personal	Trustee of Chwarae Teg Charity
Sarah Jennings	Executive Director of Communications, Customer and Commercial	Executive or Non-Executive Board, Committee or Trust Membership	Personal	Trustee of National Botanic Garden of Wales

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

The Chair's declaration of interests has been reviewed by both the incoming and outgoing 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](#).

Clare Pillman

Chief Executive and Accounting Officer

18 October 2023

Statement of Accounting Officer's Responsibilities

Paragraph 23 (1) of the Schedule to the Natural Resources Body for Wales (Establishment) Order 2012 requires NRW 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 NRW 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 NRW's auditors were unaware, and take all steps to make themselves aware of any relevant audit information and to establish that NRW's 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 NRW during the financial year 2022/23 and accords with HM Treasury and Managing Welsh Public Money guidance.

As the designated Accounting Officer for NRW, 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.

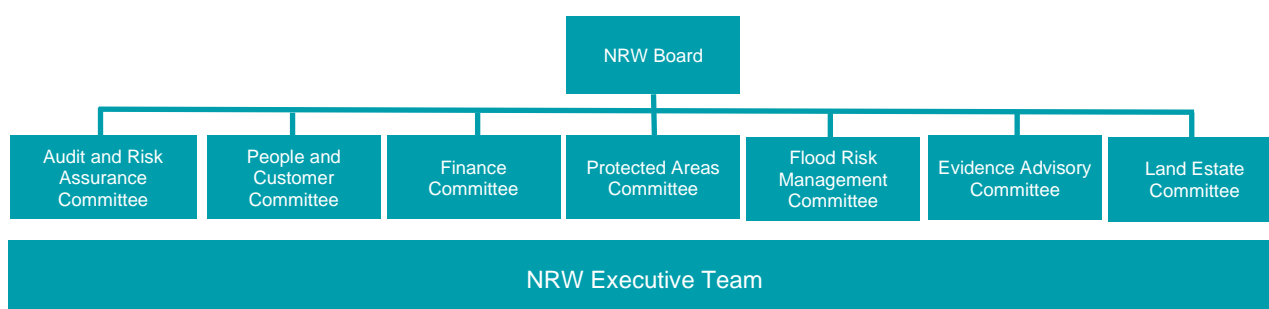
We currently have 13 remunerated Board members, led by our Chair, Sir David Henshaw, with 11 non-executive members and myself as an executive member of the Board. Professor Steve Ormerod is the appointed Deputy Chair of NRW and Julia Cherrett is the Senior Independent Director (SID). The role of SID was introduced to support the Chair in his role; to act as an intermediary for other non-executive directors when necessary; to lead the non-executive directors in the oversight of the Chair and to ensure there is a clear division of responsibility between the Chair and Chief Executive. There were seven changes to our Board this year: the term of Paul Griffiths ended on 25 May 2022, Catherine Brown's term ended on the 8 November 2022 and Karen Balmer's term ended on 31 March; Professor Peter Fox and Helen Pittaway were appointed as non-executive Directors from 16 February 2023; Kathleen Palmer was appointed as Non-Executive Director from 1 April 2023; and Professor Rhys Jones was appointed as Non-Executive Director from 9 May 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. 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
Professor Steve Ormerod	2	1 November 2018	31 October 2025
Karen Balmer	2	9 November 2015	31 March 2023
Catherine Brown	1	1 November 2018	31 October 2022
Julia Cherrett	2	1 November 2018	31 May 2023
Zoe Henderson	2	9 November 2015	8 May 2023
Professor Peter Rigby	2	1 November 2018	31 October 2023
Professor Calvin Jones	2	1 September 2021	31 October 2028
Mark McKenna	2	1 September 2021	31 October 2028
Paul Griffiths	1	1 September 2021	25 May 2022
Dr Rosie Plummer	2	1 November 2018	31 October 2024
Geraint Davies	2	1 January 2019	31 October 2024
Professor Peter Fox	1	1 February 2023	31 October 2026
Helen Pittaway	1	1 February 2023	31 October 2026
Kathleen Palmer*	1	1 April 2023	31 October 2026
Professor Rhys Jones*	1	9 May 2023	31 October 2027

* Served as an Associate Board Member from 16 February 2023 until the commencement of their full Board Member roles.



Board Meetings

We held six two-day meetings; two were held virtually and four were held face to face following the easing of the lockdown restrictions that were implemented during the Covid-19 pandemic. Members of the public were once again able to attend and observe at the face to face meetings. Standing items on our agenda include: in-year finance; performance reporting; response to Climate and Nature Emergencies; and strategic and operational updates from the Chair, Chief Executive and committees.

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

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

Board member attendance 2022/23

Name	Meeting Attendance
Sir David Henshaw (Chair)	5/6
Professor Steve Ormerod	6/6
Karen Balmer	6/6
Catherine Brown	2/3
Julia Cherrett	6/6
Geraint Davies	6/6
Zoe Henderson	6/6
Professor Calvin Jones	6/6
Mark McKenna	5/6
Paul Griffiths	N/A
Dr Rosie Plummer	5/6
Professor Peter Rigby	6/6
Professor Peter Fox	1/1
Helen Pittaway	1/1

Name	Meeting Attendance
Kathleen Palmer	1/1
Professor Rhys Jones	1/1
Clare Pilman (Chief Executive)	6/6

Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee's (ARAC) principal role is to advise the Board and support the Accounting Officer in monitoring, scrutinising and challenging the arrangements in place for audit, governance, internal controls and risk management. Following the end of Catherine Brown's term as a Board Member on 8 November 2022, Karen Balmer took over as the Chair of this Committee. At the end of Karen Balmer's term as a Board Member on 31 March, Kathleen Palmer became the Chair of this Committee. The Chief Executive attends every meeting as NRW's Accounting Officer, along with our Executive Director of Finance and Corporate Services. Members of ET now attend the committee to discuss any limited assurance internal audit reports.

This year ARAC addressed a range of issues including:

- Improvements to our risk management approach
- Organisational assurance mapping
- Internal Audit Plan 2022/23
- Annual Report and Accounts 2021/22 and plans for this report, 2022/23
- Cyber risk

Board member ARAC attendance 2022/23

Name	Number of meetings	Number of full meetings attended
Catherine Brown (Chair, to November 2022)	3	3
Karen Balmer (Chair, from November 2022 to March 2023)	6	5
Kathleen Palmer (Chair, from April 2023)	1	1
Dr Rosie Plummer	6	4
Professor Peter Rigby	6	6

People and Customer Committee

The People and Customer Committee (PCC) (formerly the People and Remuneration Committee) 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 NRW, pension scheme provision, organisational design, wellbeing, health and safety, customer care, equality and diversity and development of the Welsh language scheme. Following the end of Zoe Henderson's term as Chair in June 2022, Julia Cherrett took over as the Chair of this Committee. At the end of Julia Cherrett's term as Chair of this Committee in March 2023, Mark McKenna became the Chair of the Committee. 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
- Scrutiny of proposed People Management policies
- Recruitment and the Recruitment Process
- Customer Journey Mapping
- Organisational Succession Planning
- Customer Experience and Engagement Strategy
- Renewal Programme

Board member PCC attendance 2022/23

Name	Number of meetings	Number of full meetings attended
Zoe Henderson (Chair, to June 2022)	4	4
Julia Cherrett (Chair, from June 2022 to March 2023)	4	4
Karen Balmer	4	4
Mark McKenna (Chair, from March 2023)	4	3

Finance Committee

The Finance Committee provides advice, oversight, and scrutiny on strategy, management and performance in relation to finance, business planning and performance, charge schemes, and commercial matters. In carrying out its role, the Committee focuses on strategic direction and development, however it also has a role in scrutinising performance and delivery. Sir David Henshaw has been acting as the Interim Chair of the Committee and was replaced by Helen Pittaway from March 2023.

This year the Committee considered the following:

- Monitoring in-year financial performance
- Financial and Business Planning for 2023/24
- Strategic Review of Charging
- Timber sales and marketing oversight
- NRW's Baseline exercise
- Grants strategy
- Procurement and Contracts funding framework

Board member Finance Committee attendance 2022/23

Name	Number of meetings	Number of full meetings attended
Sir David Henshaw (Interim Chair, to March 2023)	6	6
Helen Pittaway (Chair, from March 2023)	1	1
Julia Cherrett	5	3
Paul Griffiths	1	1
Professor Calvin Jones	6	6
Dr Rosie Plummer	6	5

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.

PrAC reviewed areas including NRW's role as the designator for a proposed new National Park, the Biodiversity Policy, and Protected Sites delivery.

Board member PrAC attendance 2022/23

Name	Number of meetings	Number of full meetings attended
Dr Rosie Plummer (Chair)	3	3
Geraint Davies	3	2
Professor Steve Ormerod	3	3
Mark McKenna	3	3

Flood Risk Management Committee

The Committee is advisory and reports to the NRW 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. Following the end of Julia Cherrett's term as Chair in March 2023, Professor Peter Fox took over as the Chair of this Committee.

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

FRMC reviewed areas including:

- Prioritisation of flood risk management activities
- Governance of the flood risk management capital programme
- Oversight of the flood recovery and review implementation programme
- skills and succession planning
- Oversight of work to improve NRW's regulation of reservoir safety
- Asset Management

Board member FRMC attendance 2022/23

Name	Number of meetings	Number of full meetings attended
Julia Cherrett (Chair, to April 2022, and from May 2022 to March 2023)	4	4
Paul Griffiths (Chair, April to May 2022)	1	1

Name	Number of meetings	Number of full meetings attended
Professor Peter Fox (Chair, from March 2023)	N/A	N/A
Geraint Davies	4	2
Professor Calvin Jones	4	3

Evidence Advisory Committee

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

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

EAC reviewed areas including:

- NRW's State of Natural Resources Report
- NRW's role as the designator for a proposed new National Park
- Natural Flood Management Techniques
- NRW's approach to Citizen Science
- Open Science Data

Board member EAC attendance 2022/23

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

Land Estate Committee

The Land Estate Committee (LEC) met for the first time in January 2023 and it is Chaired by Professor Calvin Jones. The Committee's principal role is to advise the Board on the sustainable management of NRW's land estate, including investment in the estate, its management, and proposals for changes in its use.

LEC reviewed areas including the Recreation Strategy and the Renewable Energy Developer Initiative.

Board member LEC attendance 2022/23

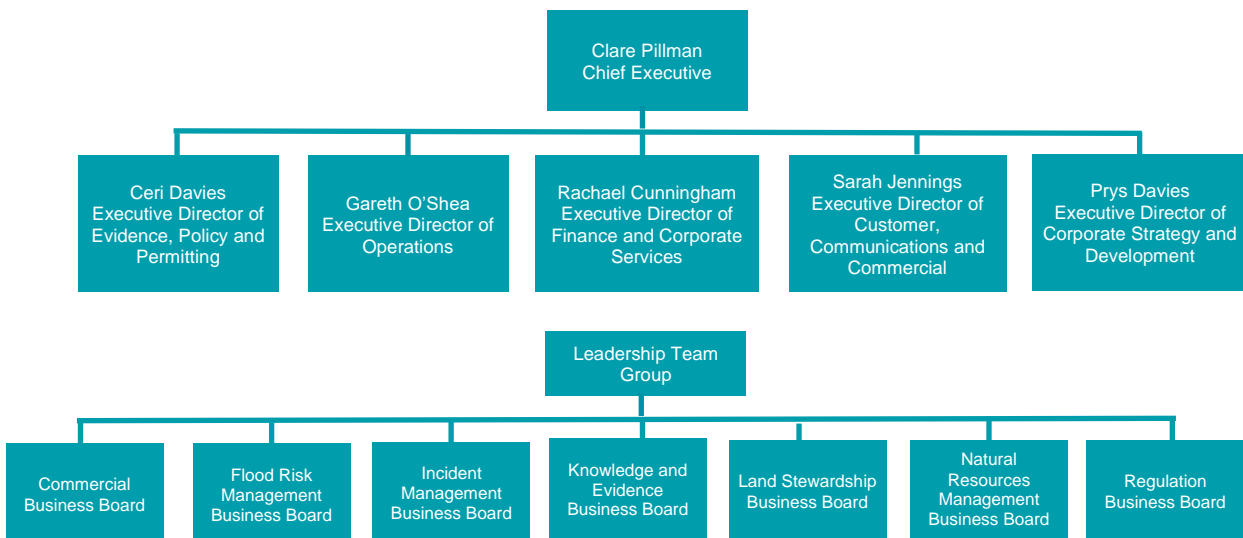
Name	Number of meetings	Number of full meetings attended
Professor Calvin Jones (Chair)	1	1
Dr Rosie Plummer	1	1
Geraint Davies	1	1
Mark McKenna	1	1

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 Boards 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.

Our Corporate Plan sets out our Well-being Objectives and the steps we will take to deliver them. In the annual business plan, we outline how we will take forward those steps to take in the year ahead.

This business plan for 2022/23 is the last aligned to the Corporate Plan for 2017-23. Over the course of the last 18 months there have been significant changes in the strategic policy context within which we work, with the declaration of the climate and nature emergencies and landmark evidence reports published ahead of COP 26 and COP15. This informed debate at our Board and with Ministers, and resulted in the Board agreeing five strategic priorities reflecting the strategic discussions led by our Board as well as five priorities agreed for the year with Ministers. These Strategic and Ministerial priorities related to 2022/23 only, while we developed our new Corporate Plan aligned to the term of Government remit letter.

2022/23 was a year of transition for NRW and through the course of the year we have been putting in place the corner stones for the future of our organisation. This business plan responds to the Government's ambition, but also recognises the ongoing budgetary pressures across the public sector. We have worked with ministers and officials through 2022/23 to build a common understanding of our resources, priorities and the appetite and opportunity for doing things differently. In working through this process, we are grateful to ministers for sustaining the level of funding for 2022/23 so we were able to maintain the service we provide.

We brought this work to a conclusion over the course of the year to ensure that the outputs informed the WG budget setting process for 2023/24.

Through the year we have been involving staff, our Board and partners in the preparation of the next Corporate Plan, with workshops and a series of engagement events running through the year, culminating in the launch of the Corporate Plan in March 2023. In this new Corporate Plan, we set out where NRW is best placed to make a difference within the resources we have, but also where we will need to adapt how and where we work, and innovate and collaborate to bring about a change that is fair, just and ensures nobody gets left behind.

As a category 1 responder under the Civil Contingencies Act (2004) we have continued to carry out our duties in a professional and effective way, responding to a significant number of incidents within our remit as well as supporting our multiagency partners as appropriate with wider incidents. We have continued to train and develop staff to enable them to support our duty rotas, following our contractual change made last year, as a result we have more staff now available to support our incident response in and out of hours and continue to train more staff to further bolster rotas for the future. Staff have attended a number of internal and external incident exercises and we continue to build on the learning from them and from actual incidents to improve our capabilities and the service we provide, as we face the challenges and increased number of incidents resulting from the climate and nature emergencies.

Ministerial Directions

We have not received any Ministerial Directions this year.

Our Internal Control Framework

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

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

Risk Management

A robust risk management framework is an essential component of our governance framework. It assists us in managing our business, protecting our resources and our reputation.



Our risk management framework focuses on identifying, assessing, managing and reporting on our risks within our risk appetite, and draws, as relevant, upon a number of recognised risk management standards.

Our Strategic risk register is owned by our ET with each risk being owned by an individual Director, supported by Leadership or Management level risk manager(s). Our strategic risks are regularly reviewed by the Executive level risk owners, and by the ET collectively. The strategic risks are subject to deep dives undertaken by the relevant Board Committee with the Board reviewing the complete strategic risk register on an annual basis.

Oversight of the risk management framework and its effectiveness is undertaken by the Audit and Risk Assurance Committee (ARAC) and they, in turn, provide assurance to the Board.

Our risk strategy is set and reviewed annually by the Board. This is underpinned by our organisational risk management RACI, clearly setting out accountabilities and responsibility for various aspects of our risk management framework, as well as those who need to be both informed or consulted in relation to risk management matters. Our risk management policy and associated guidance for staff is set and reviewed annually by our ET. Our risk management framework clearly sets out how and when risks should be escalated. This has been used in practice throughout the year.

Each of our strategic risks has a risk appetite level assigned to it by the Board, with a specific risk appetite statement providing more in-depth summary of how the risk appetite applies to that specific risk. As part of our structured risk management training programme, risk appetite training sessions have been delivered throughout the year to enable risk owners to understand how to apply appetite to their risks on registers throughout the organisation. The risk appetite is reviewed annually by the Board alongside the strategic risk register.

Throughout the year, we have worked on enhancing our risk management offer to the organisation, updating and embedding the tools in place to support risk management practices, including the risk register template, which now includes sections that focus on the effectiveness of our controls and planned mitigations, and whether they are working as intended.

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

Number of cases reported to the Information Commissioner's Office (ICO)		
2022/23	2021/22	2020/21
0	0	0

Declaration of Interest

Our Conflict of Interest policy and guidance support all staff and Board members with our continuous process to declare relevant personal interests to help us manage any potential or perceived conflicts with their professional roles. Following an Internal Audit review in 2020/21 significant improvements have been made to our Conflict of Interest policy, procedures, training, and reporting mechanisms.

Whistleblowing

Whistleblowing within NRW

We are committed to the highest standards of openness, probity, and accountability. There is an expectation that all those who work for NRW who have serious concerns about any aspect of NRW's work is able to come forward and voice those concerns. NRW is 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 hotline and on-line form, where concerns can be raised anonymously if preferred.

During 2022/23 there were 20 potential whistleblowing cases reported via the whistleblowing mechanisms. All were considered in line with NRW's whistleblowing policies and procedures. Of these 20 reports, 7 were reviewed and handled formally as whistleblowing cases, 9 related to matters outside of NRW and 4 were not considered as whistleblowing, as defined by NRW's Whistleblowing Policy, so were referred back to the business for internal handling.

Of the 7 cases handled formally as whistleblowing cases, 5 were not upheld and 2 are pending completion of the investigation.

Number of whistleblowing cases

2022/23	2021/22	2020/21
7	4	0

NRW as a Prescribed Person for Whistleblowing

NRW 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 9 cases of a Prescribed Person Whistleblowing Report received from 1 April 2022 to 31 March 2023, although it is acknowledged other concerns may have been raised outside of the formal whistleblowing process.

Of those 9 cases received, 1 was handled formally as a whistleblowing case but was not upheld. The remaining 8 cases were referred to the incident handling teams within NRW and handled under the normal complaints processes, as none were of the magnitude or severity to require a formal whistleblowing investigation.

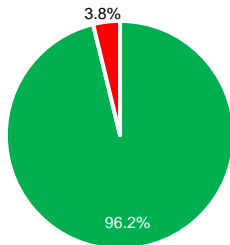
Fraud

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

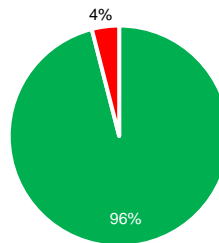
eLearning Completion Stats for 2022/2023

Anti Bribery and Corruption (Annually)



■ Completed Passed ■ Incomplete

Anti-Fraud (Annually)



■ Completed Passed ■ Incomplete

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 8 allegations of fraud, handled per NRW's anti-fraud, bribery, and corruption process. These are reported to our Audit and Risk Assurance Committee. All investigations have been managed by an Accredited Counter Fraud Specialist or similarly qualified external investigators. The final report on each case is referred to independent senior staff.

Number of allegations reported

2022-23	2021-22	2020-21
5	8	10

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

Compliance with the UK Corporate Governance Code

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

Our leadership is consistent with expected senior management roles and responsibilities; supporting procedures are in place to ensure Board roles can operate effectively; our reporting routes are clear to ensure accountability and appropriate division of duties and key internal controls are in place; remuneration of senior staff is considered by

non-executives to ensure independence and we have regular meetings with our key stakeholders to maintain constructive working relationships.

Our Assurance Framework


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

Internal Audit

The Head of Internal Audit offered a moderate overall assurance opinion for the past year with the caveat that it is borderline and there needs to be further development of NRW's governance, risk and control to maintain an established moderate internal audit opinion.

The annual audit opinion is based on the following information:

- Outcomes of the engagements on the 2022/23 Internal Audit Plan;
- Management's completion of the internal audit recommendations as tracked following the completion of audits;
- Cumulative knowledge gained from attendance at management committees; access to risk registers and key documentation; and discussions with management;
- Fraud, bribery, whistleblowing and corruption reports and investigations;
- The internal control checklists completed by the organisation; and
- Other sources of assurance, including the work of:
 - Audit Wales,
 - ISO accreditations, and
 - UKWAS audits.

Opinion	
On the balance of the 2022/23 internal audit work, review over strategic risks and evidence gathered on the governance, risk and control within NRW, the Head of Internal Audit offered a Moderate Assurance Opinion in respect for the year.	

In conclusion, the Head of Internal Audit's professional evaluation of internal controls, governance and risk management has led them to conclude that in 2022/23 there remain some improvements required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

Considering the opinion readers should note the following

- The opinion is a very borderline moderate and there are considerable improvements required to establish this moderate opinion.
- This opinion is based solely upon the areas taken into consideration and identified above.
- Assurance can never be absolute, neither can internal audit's work be designed to identify or address all weaknesses that might exist.
- Responsibility for maintaining adequate and appropriate systems of governance, risk management and internal control resides with the NRW's management and not internal audit.

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 internal controls

To provide assurance that the framework of internal controls is in place and working well within NRW, members of the Executive Team and Heads of Business each completed an Internal Controls Checklist (ICC) and signed a Certificate of Assurance. This required them to make an evidence-based assessment of the effectiveness of the control framework in place for their Directorate/Business Board, attributing an assurance grading of between substantial and unsatisfactory covering NRW's key risk areas, as set out in our strategic risk register.

This year we undertook a revised process for the completion of the annual ICC process by Directors and Heads of Business. The revised process built upon the existing one, introducing staff and leadership surveys in relation to control effectiveness, to complement the evidence base upon which assessments of assurance were made. The evidence used spanned the second and third lines and sought to drive rich discussions around control effectiveness. Due to this being the first year of completion with the revised process being used, we are unable to make direct comparison to the results obtained from the 2021/2022 ICC analysis.

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

The ET have considered and moderated the analysis of the results and the assurance gradings attributed by Directors and Heads of Business. The results of the analysis of the effectiveness of the system of internal control, as informed by the ICC process, are set out below against NRW's key strategic risks, including, where relevant, any significant weaknesses identified and the steps taken/proposed to address them.

Wellbeing, Health and Safety

Across both Business Board and Directorate results, Wellbeing, Health and Safety (WHS) was generally assessed to be managed well across the breadth of the organisation. Positive features of the internal control framework include a regular focus and discussion on WHS at monthly Directorate, Manager, and Team meetings. There are good structures in place to ensure staff can be supported while working from home and within NRW offices and sites. E-learning compliance is high in this area, along with Display Screen Equipment checks, Sgwrs (appraisal) meetings, active monitoring, and risk assessments. NRW has also held retention of ISO 45001 and the Silver Standard for the Corporate Health Check. Further improvements could be made in relation to stress management and individual WHS responsibilities, which should be a focus for the upcoming year.

Setting Strategic Direction

Other areas of substantial assurance identified from the staff and leadership surveys include the organisation's ability to set and communicate a meaningful strategic direction.

There is a good understanding of the direction of the organisation, however links connecting the Corporate, Business, and Services plans with Directorate priorities could be made stronger. Using Sgwrs meetings to make the link between the strategic ambition contained within the Corporate Plan and every individual staff member's contribution that, along with the associated behaviours, vision, and mission, is to be encouraged.

It is evident that significant work has taken place throughout the year to develop NRW's new Corporate Plan to 2030, 'Nature and People Thriving Together', which was launched on 28 March 2023. The new plan sets out the organisation's vision, mission, values, and wellbeing objectives, and evidence shows that engagement with staff on this work has been beneficial and impactful and therefore it is hoped that this will have a positive impact on the control effectiveness in this area going forward.

Championing SMNR

There is a sense from the staff and leadership surveys that the SMNR is now well understood and embedded across the organisation and is being used as a lens to share advice with others on policy, programmes, and legislation. The introduction of high-quality training and induction sessions have broadened the understanding of the need to champion SMNR and have challenged staff to apply the SMNR principles and ways of working to their specific work areas and individual roles. It was recognised that this can be particularly challenging for some roles and services, particularly those that are core, internal-facing services. To provide further assurance around our controls in this area, there will need to be a continued focus on ensuring all decisions are considered from an SMNR perspective.

Management of Incidents

Effective Incident Management was identified as an area where further improvements to controls could be made, such as training for incident roles, ensuring incident rotas are fully populated, as well as business continuity practice exercises becoming routine. It was noted that there can be a lack of clarity in some areas on what constitutes an incident and where the responsibilities lie for ongoing long-term issues/incidents.

Up to date Business Continuity Plans suggest good awareness and understanding of their content across the business. However, controls about lessons learned, recording trends, and developing strategy could be strengthened.

People

Workforce planning and succession planning issues were areas of concern for many. Fundamental weaknesses at an organisational level, linked to a lack of appropriate systems (e.g. Learning Management System) and resourcing (e.g. in relation to staffing) were highlighted. In particular at Directorate level, there is a need to focus on succession planning and career development to provide greater assurance. The resourcing pressures, as well as non-staff budgets, will continue to present challenges to the organisation unless they are addressed over the course of the coming year.

The results of the staff and leadership surveys have highlighted good line management engagement, familiarity with Human Resource (HR) policies and processes, and good compliance with e-learning. However, it also highlighted that the engagement and communication from a Directorate perspective could be improved, and further work is required to improve and embed these practices.

Finance and financial management

Issues with a number of the controls relating to the funding settlement and financial management were highlighted as an area of concern, particularly within Business Boards. It was suggested that control frameworks may not be operating effectively to mitigate key risks arising from the uncertainty of sufficient funding to deliver core organisational functions. This can be reflected in areas of overspend, which could suggest that controls throughout the year were not adequate to stop this happening.

Additionally, significant growth in the organisation's headcount has left areas within some Directorates receiving little, if any, increase in their budget to provide additional support. Poor line of sight for budgets was stressed as an issue, along with the Service Level Agreement (SLA) process and, separately, the difficulty found in managing the year-end forecast where actual expenditure appeared to be significantly ahead of forecast.

Control areas that were noted to be strong include that there is good compliance overall with mandatory financial and budget management training and awareness of spotting and reporting fraud, as well as understanding of the key policies and processes, is high. However, an area of weakness was identified in relation to a lack of training for those involved in procurement activities, and additional training should be a focus for the coming year across both Business Boards and Directorates.

Compliance

The information gathered from the staff and leadership surveys suggest a good understanding and awareness of risk management purpose and processes, declarations of interest and other key governance policies such as our financial and non-financial schemes of delegation, and policy and procedure around how to report whistleblowing concerns.

There are, however, areas where knowledge and understanding could be strengthened or refreshed, such as data and records management. It was also identified that some compliance controls can be too burdensome and need to be streamlined to ensure that barriers, or perceived barriers to compliance, due to their complexity and detail, are addressed. Whilst it is felt that compliance is improving in several key areas, there are still areas exposing weaknesses across the organisation, for example, limited management information exposing weaknesses in our 2nd line of assurance. Developing a broader assurance framework for the organisation should remain a priority for the coming year, as well as creating leaner processes to support compliance whilst not detracting staff from delivering the Wellbeing Objectives.

Strategic Asset Management

The ownership and use/application of controls in this area were limited to one Directorate and selected Business Boards. Across the four business areas there was a general consensus that good and established practices around asset management processes are in place. It was highlighted that controls in regard to the risk are bedding in well and that there are high quality communications between teams.

However, it was noted that there are several shortcomings in the management information and quality of data, with available information frequently out of date, and this should be an area of focus for the coming year.

Clare Pillman

Chief Executive and Accounting Officer

18 October 2023

Remuneration and Staff Report (audited)

Remuneration policy

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

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

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 NRW within which it must deliver. This year's pay was for the period 1 June 2022 to 31 March 2023 and saw a 4% increase to our paybill. For Grades 1 and 2 they received a pay increase of more than 10%, for Grades 3 to 4: £1,400 increase (6.91% to 4.56%) Grade 5: ranging from 4.4% to 3.8% and for Grades 6 and above, 3.65%. The Enhancements and Payments (excluding Loyalty Award) were also increased by 4% from 1 June 2022. This offer did not apply, as already agreed through Job Evaluation consultation, to those who had previously opted out of the Job Evaluation Scheme.

NRW continues to be a Real Living Wage accredited employer. Although the new rates are published in November we always apply the increase to the basic salary from the start of the current pay award period immediately. However, this year our pay offer meant our Grade 1 pay was above the Real Living Wage Foundations recommendation.

Service contracts

All appointments to the Board are made on behalf of NRW'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.

Board members' remuneration

Board Member	Contracted Dates	Salary 2022/23 (£5,000 range)	Salary 2021/22 (£5,000 range)
Karen Balmer ¹	09/11/15 to 31/03/23	10-15	10-15
Catherine Brown ²	01/11/18 to 31/10/22	5-10	15-20
Julia Cherrett ³	01/11/18 to 31/05/23	15-20	15-20
Geraint Davies	01/01/19 to 31/10/24	10-15	10-15
Howard Davies ⁴	09/11/15 to 31/08/21	N/A	10-15
Peter Fox ⁵	16/02/23 to 31/10/26	0-5	N/A
Paul Griffiths ⁶	01/09/21 to 25/05/22	0-5	5-10
Elizabeth Haywood ⁷	09/11/15 to 31/08/21	N/A	15-20
Sir David Henshaw (Chair) ⁸	01/11/18 to 31/10/25	45-50	45-50
Zoë Henderson ⁹	09/11/15 to 08/05/23	10-15	15-20
Calvin Jones ¹⁰	01/09/21 to 31/10/28	10-15	5-10
Rhys Jones ¹¹	16/02/23 to 31/10/27	0-5	N/A
Mark McKenna ¹²	01/09/21 to 31/10/28	10-15	5-10
Steve Ormerod (Deputy Chair) ¹³	01/11/18 to 31/10/25	15-20	15-20
Kathleen Palmer ¹⁴	16/02/23 to 31/10/26	0-5	N/A
Helen Pittaway ¹⁵	16/02/23 to 31/10/26	0-5	N/A
Rosie Plummer ¹⁶	01/11/18 to 31/10/24	15-20	15-20
Peter Rigby ¹⁷	01/11/18 to 31/10/23	15-20	25-30

¹ Karen Balmer became chair of the Audit and Risk Assurance Committee on 1 November 2022 until her board membership ceased on 31 March 2023.

- ² Catherine Brown was chair of the Audit and Risk Assurance Committee until her board membership ceased on 31 October 2022.
- ³ Julia Cherrett was chair of the Flood Risk Management Committee until 23 March 2023 and chair of People and Customer Committee until 23 March 2023.
- ⁴ Howard Davies ceased to be a board member on 31 August 2021 and was chair of the Protected Areas Committee until this date. He received remuneration within the range of £5,000 to £10,000 for services during 2021/22 and backpay for services as chair of Protected Areas Committee during previous financial years of £5,000 to £10,000. The total remuneration for 2021/22 was £10,000 to £15,000.
- ⁵ Peter Fox was appointed to the board on 16 February 2023 and became chair of Flood Risk Management Committee on 23 March.
- ⁶ Paul Griffiths became a board member on 1 September 2021 and resigned on 25 May 2022.
- ⁷ Elizabeth Haywood ceased to be a board member on 31 August 2021 and was chair of the Flood Risk Management Committee until this date. She received remuneration within the range of £5,000 to £10,000 for services during 2021/22 and a backpay for services as chair of the Flood Risk Management Committee during previous financial years of £10,000 to £15,000. The total remuneration for 2021/22 was £15,000 to £20,000.
- ⁸ Sir David Henshaw is chair of the Board and was interim chair of the Finance Committee until 23 March 2023.
- ⁹ Zoë Henderson was chair of the People and Remuneration Committee until 31 March 2022.
- ¹⁰ Calvin Jones became a board member on 1 September 2021 and became chair of Land Estate Committee on 22 September 2022.
- ¹¹ Rhys Jones was an associated board member (with remuneration) from 16 February 2023 and became a full member and chair of Welsh Land Management Forum on 9 May 2023.
- ¹² Mark McKenna became a board member on 1 September 2021 and appointed as chair of People and Customer Committee on 23 March 2023.
- ¹³ Steve Ormerod is deputy chair of the Board.
- ¹⁴ Kathleen Palmer was an associated board member (with remuneration) from 16 February 2023 and became a full member and chair of ARAC on 1 April 2023.
- ¹⁵ Helen Pittaway was appointed to the board on 16 February 2023 and became chair of Finance Committee on 23 March 2023.
- ¹⁶ Rosie Plummer has been chair of the Protected Areas Committee since 31 August 2021.
- ¹⁷ Peter Rigby is chair of Evidence Advisory Committee. He received remuneration within the range of £15,000 to £20,000 for services during 2021/22 and a backpay for services as chair of the Evidence Advisory Committee during previous financial years of £5,000 to £10,000. The total remuneration for 2021/22 was £25,000 to £30,000.

Executive Team's remuneration

Executive Team Member	Salary		Benefits in kind		Pension benefits ³		Total	
	(£5,000 range)		(nearest £100)		(nearest £1,000)		(£5,000 range)	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
Clare Pillman ³ (Chief Executive)	145-150	140-145	0	0	(10,000)	23,000	135-140	160-165
Rachael Cunningham ³	115-120	115-120	0	0	21,000	76,000	140-145	190-195
Ceri Davies ³	115-120	105-110	0	0	(2,000)	6,000	115-120	115-120
Prys Davies ^{1,3}	100-105	110-115	0	0	10,000	26,000	110-115	135-140
Sarah Jennings ³	120-125	120-125	0	0	49,000	47,000	170-175	165-170
Gareth O'Shea ^{2,3}	110-115	120-125	0	0	(48,000)	93,000	60-65	215-220

¹ Prys Davies's full year equivalent salary for 2021/22 was £95,000 to £100,000. During that year, he received a back dated increase to salary which resulted in additional pay of £10,000 to £15,000 in relation to financial year 2020/21.

² Gareth O'Shea's full year equivalent salary for 2021/22 was £105,000 to £110,000. During that year, he received a back dated increase to salary which resulted in additional pay of £15,000 to £20,000 in relation to financial years 2020/21 and 2019/20.

³ 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.

Salary

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

Performance-related pay

Any increase in salary is subject to performance being assessed as either 'Outstanding' or 'Achieving' by the Chief Executive and moderation by the People and Remuneration Committee. The increase applied will be determined by the pay award applied for those

within the collective bargaining unit. Where performance is deemed to be underperforming then no pay increase is applied

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the HM Revenue & Customs as a taxable emolument. None of the Board members or ET received benefits in kind during 2022/23 and 2021/22.

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

Pension benefits

Executive Team member	Accrued Pension at pension age as at 31/03/23 £000	Accrued Lump Sum at pension age as at 31/03/23 £000	Real Increase in pension at pension age £000	Real Increase in Accrued Lump Sum at pension age £000	CETV at 31/03/23 £000	CETV at 31/03/22 £000	Real Increase in CETV £000
Clare Pillman (Chief Executive)	65-70	135-140	0-2.5	0	1,387	1,261	(30)
Rachael Cunningham	35-40	0	0-2.5	0	575	513	3
Ceri Davies	55-60	75-80	0-2.5	(2.5)-0	1,149	1,017	(9)
Prys Davies	35-40	60-65	0-2.5	0	613	553	(5)
Sarah Jennings	5-10	0	2.5-5	0	103	60	31
Gareth O'Shea	60-65	95-100	(2.5)-0	(7.5)-(-5)	1,139	1,046	(51)

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, hence the negative values.

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 2022/23.

Fair pay disclosure

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

In 2022/23, 3 contract staff (2021/22: 3) were charged at a rate in excess of the highest-paid director.

The banded remuneration of the highest paid director (as shown above) in the financial year 2022/23 was £145,000 to £150,000 (2021/22: £140,000 to £145,000). This was 3.8 times (2021/22 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.

Included in the tables below are permanent employees, fixed term appointments, apprentices, secondees, agency staff and contractors, where the pay has been calculated on an annualised basis, as required by the Financial Reporting Manual.

Workforce pay ratio

	2022/23	2021/22	Movement
	£	£	%
Upper quartile	46,003	42,885	7.27
Ratio	3.2	3.3	
Median	38,492	37,119	3.70
Ratio	3.8	3.8	
Lower quartile	32,876	31,490	4.40
Ratio	4.4	4.4	

Staff pay scales range from £21,655 to £72,627 (2021/22: £19,100 to £70,070).

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

	Movement
	%
Highest paid director	3.65
All staff	4.31

Staff report

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

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

Number of staff by headcount and full time equivalent (FTE) at 31 March 2022

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

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

	2022/23			2021/22
	Permanent Staff	Others	Total	Total
Directly employed	2,180	52	2,232	2,144
Agency and contract staff	0	158	158	164
Total	2,180	210	2,390	2,308

The average full-time equivalent number of staff working on capital projects was 246.1 (2021/22: 232.2).

Staff turnover

Staff turnover during 2022/23 was 5.8% excluding temporary workers e.g. fixed term appointments(2021/22 6.75%).

Staff costs

	2022/23			2021/22
	Permanent staff	Other staff	Total	Total
	£'000	£'000	£'000	£'000
Wages and salaries	85,281	13,290	98,571	93,123
Social security costs and other taxation	9,622	558	10,180	8,971
Other pension costs	21,578	400	21,978	20,415
Total net salary costs	116,481	14,248	130,729	122,509
Other expenditure for staff		Note		
Exit package costs			81	159
IAS 19 (pensions) service charge		15	14,855	16,353
Less early retirement pension costs			78	(15)
Less in-year LGPS pension contributions			(6,894)	(6,894)
Movement in accrued holiday pay			138	(140)
Total other expenditure for staff			8,258	9,463
Less amounts charged to capital projects			(14,136)	(12,757)
Total staff costs			<u>124,851</u>	<u>119,215</u>

Details of NRW's pension obligations can be found in Note 15.

Details of the remuneration of Board members and directors are in the remuneration report. Bought-in services in Note 5 (other expenditure) includes £14.7 million of expenditure on consultants (2021/22 £11.3 million).

Pension schemes

NRW is a member of two pension schemes. The Principal Civil Service Pension Scheme (PCSPS) is an open scheme and includes both the defined benefit scheme, Alpha, as well as the stakeholder partnership defined contribution scheme. NRW is 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

scheme's actuary valued the PCSPS as at 31 March 2016. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation at <https://www.civilservicepensionscheme.org.uk/knowledge-centre/resources/resource-accounts/>

For 2022/23, employer's contributions of £14,965k were payable to the PCSPS (2021/22: £13,204k) at one of four rates in the range 26.6% to 30.3% of pensionable earnings (for 2020/21 26.6% to 30.3%), based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2022/23 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 £156k (2021/22: £152k) 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 (2021/22 £5k), were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

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

Local Government Pension Scheme contributions

NRW makes payments to the EAPF, as the administering authority for the Local Government Pension Scheme (LGPS) via Capita, the pension fund administrators.

The LGPS is a funded, statutory, defined contribution public service pension scheme. Every three years the EAPF undertakes a valuation in conjunction with the Scheme Actuary. The 31 March 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.

NRW has a community admission agreement with the EAPF to participate in the LGPS, which was approved by the Secretary of State for Communities and Local Government in respect of former Environment Agency Wales staff who transferred to NRW on 1 April 2013. The liabilities for former members employed by the Environment Agency in respect of Welsh functions (pensions in payment and deferred members) also transferred. The 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 2022/23 the employer's contribution rate was 23.76% (2021/22: 24.67% from April 2021 and 23.76% from June 2021) In 2022/23 employer's contributions of £6,894k were paid to the LGPS (2021/22: £6,894k) which reduces the balance on the IAS 19 pension fund.

Exit packages

The total number of exit packages by cost band:	2022/23	2021/22
Under £10,000	4	2
£10,001 - £25,000	2	1
£25,001 - £50,000	1	0
£50,001 - £100,000	0	2
£100,001 - £150,000	0	0
Total	7	5
Resource cost	£88,000	£159,000

There were no compulsory redundancies in 2022/23 or 2021/22.

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 2022/23. Included in Exit package costs in the staff costs note above is a prior year accrual of £7k for an employee that was expected to, but has not left during the year. Exit costs of £99k were actually paid in 2022/23, the year of departure. Where NRW has agreed early retirements, the additional costs are met by NRW and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Sickness absence (not subject to audit)

Our sickness absence rate for the rolling year (1 April 2022 to 31 March 2023) showed an average of 6.09 days lost per employee and equates to 2.7%.

Disability Policies (not subject to audit)

Disability Confident Employer

During 2022/23, we continue 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 4,144 people of which 83 (2%) people requested a guaranteed interview. Internally we received applications from 1,155 people of which 3 (0.25%) people requested a guaranteed interview.



**'Two Ticks'
guaranteed
Interview
Scheme**

Employee Staff Networks (not subject to audit)

Employee Staff Networks play an important role in supporting colleagues and the organisation. Employee Staff Networks are run by staff for staff; and bring together people from all areas of the workplace who identify with others from a similar background or protected characteristic. Employee Staff Networks can also fulfil various functions including providing opportunities for social interaction, peer support and personal development.

Each Employee Staff Network has a Network Lead, or the role is carried out jointly with another colleague. These roles are carried out voluntarily and provide staff with a contact when support or signposting is required.

As an organisation we value our self-organised Employee Staff Networks in creating an environment that respects the diversity of staff, and enables engagement and enjoyment in the workplace.

We support the Employee Staff Networks by:

- Promoting the Employee Staff Networks to new and existing employees through Induction and the Intranet
- Encouraging managers to release Network Leads to organise and facilitate meetings and events
- Encouraging managers to release employees to participate in Employee Staff Network meetings
- Supporting Network Leads to become Mental Health First Aiders.
- Taking part in events and initiatives developed by the Employee Staff Network
- Listening constructively to any employee concerns through the EDI Forum
- Committed to Neurodiversity in Business March 2023
- Renewed Employers for Carers membership January 2023
- Renewing our Stonewall membership April 2023

We currently have 7 Employee Staff Networks as follows: -

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

Over the last few years, the Employee Staff Networks have played an important part in helping to make our organisation more inclusive by sharing experiences, knowledge and information for consideration when developing our policies, procedures and workplace practices, including the development of the Work and Wellbeing Staff Passport which was launched in September 2022, and contributing to the Working Styles Policy.

A Diversity & Inclusion Awareness calendar has also been developed which supports towards a more coordinated approach to how our Employee Staff Networks collaborate in the workplace.

Off-payroll engagements (not subject to audit)

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

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

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

Off-payroll engagements as of 31 March 2023, for more than £245 per day and last for longer than six months.

Number of existing engagements at 31 March 2023 that have existed for:	Number of contractors
less than one year	11
between one and two years	18
between two and three years	18
between three and four years	23
four or more years	30
Total	99

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

New off-payroll engagements, or those that reached six months in duration, between 1 April 2022 and 31 March 2023, for more than £245 per day and last for longer than six months.

	Number of contractors
The number of new engagements, or those that reached six months in duration, between 1 April 2022 and 31 March 2023.	21
of which:	
The number assessed as caught by IR35	0
The number assessed as not caught by IR35	21
The number engaged directly and are on the NRW payroll	0
The number of engagements reassessed for consistency / assurance purposes during the year.	9
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 2022/23.

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

During the previous year, NRW also made a special payment relating to the reimbursement of fees of £687k to Horizon Nuclear Power following cessation of development activities at the Wylfa Newydd site.

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	2022/23 Number	2022/23 £'000	2021/22 Number	2021/22 £'000
Write-off of irrecoverable debts	161	222	45	114
Loss of assets	10	44	11	1,441
Other losses (cash losses, fruitless payments, unenforceable claims, or gifts)	5	49	20	9
Special payments	8	63	4	1,145
Total	184	378	80	2,709

Clare Pillman
Chief Executive and Accounting Officer

18 October 2023

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 2023 under paragraph 23 of the Schedule to the Natural Resources Body for Wales.

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 significant 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 2023 and of its net expenditure 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;
- assessing Natural Resources Wales' 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' 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, posting of unusual journals;
- Obtaining an understanding of Natural Resources Wales' framework of authority as well as other legal and regulatory frameworks that the Natural Resources Wales operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Natural Resources Wales;
- 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, the Audit and Risk Assurance Committee and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team 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' 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 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
23 October 2023

1 Capital Quarter
Tyndall Street
Cardiff
CF10 4BZ

**FINANCIAL STATEMENTS
and
NOTES TO THE ACCOUNTS**

for 2022/23

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2023

		2022/23	2021/22
	Note	£'000	As restated £'000
Staff costs	3	124,851	119,215
Capital works expensed in year	4	32,768	25,635
Other expenditure	5	114,528	110,128
Total operating expenditure		272,147	254,978
Charge income	6	(40,028)	(37,311)
Commercial and other income	6	(49,132)	(48,072)
Welsh Government grants*	6	(22,234)	(16,306)
European and other external funding	6	(4,750)	(2,198)
Income from contracts with customers		(116,144)	(103,887)
Net operating expenditure before gain on revaluation of biological and financial assets		156,003	151,091
(Gain)/loss on revaluation of biological assets	7.1	2,636	(104,647)
(Gain)/loss on revaluation of financial assets/ liabilities	9 / 10	(313)	(4,154)
Net expenditure for the year after gain on revaluation of biological and financial assets		158,326	42,290
Financing on pension scheme assets and liabilities	15.2.5	1,667	2,294
Finance charges	8.2	117	-
Net (gain)/loss on revaluation		(58)	975
Deficit/(Surplus) for the year		160,052	45,559
Other comprehensive net expenditure			
Pension actuarial remeasurements	15.2.5	(129,425)	(64,008)
Gain on revaluation of property, plant and equipment	SoCTE	(186,965)	(356,562)
Total comprehensive net expenditure for the year		(156,338)	(375,011)

*Non Grant-in-aid payments received from Welsh Government have been recorded as income during the year. These had previously been categorised as Grant-in-aid, and credited directly to the general fund. The comparative figures have been restated to reflect the prior year impact of this change in allocation.

The notes on pages 92 to 133 form part of these accounts.

Statement of Financial Position

As at 31 March 2023

		31 March 2023	31 March 2022
	Note	£'000	£'000
Non-current assets			
Property plant and equipment	7.1	2,127,219	2,020,356
Heritage assets	7.1	7,474	7,403
Biological assets	7.1	447,864	457,790
Intangible assets	7.2	31,647	29,602
Right of use assets	8.1	69,815	-
Financial assets	10	16,358	16,807
Long term receivables	11	3,462	3,451
Pension asset	15.2.5	65,345	-
Total non-current assets		<u>2,769,184</u>	<u>2,535,409</u>
Current assets			
Property, plant and equipment held for sale		9	399
Financial asset held for sale	10	-	1,475
Inventories		612	580
Trade and other receivables	11	38,889	26,536
Cash and cash equivalents	12	5,077	8,993
Total current assets		<u>44,587</u>	<u>37,983</u>
Total assets		<u>2,813,771</u>	<u>2,573,392</u>
Current liabilities			
Trade and other payables	13	(49,077)	(38,206)
Lease liabilities	8.2	(2,367)	-
Provisions	14	(1,083)	(266)
Total current liabilities		<u>(52,527)</u>	<u>(38,472)</u>
Assets less current liabilities		<u>2,761,244</u>	<u>2,534,920</u>
Non-current liabilities			
Long term lease liabilities	8.2	(8,276)	-
Pension liability	15.2.5	-	(54,374)
Financial liabilities	9	(39,435)	(39,844)
Long term payables	13	(3,054)	(3,733)
Total non-current liabilities		<u>(50,765)</u>	<u>(97,951)</u>
Assets less liabilities		<u>2,710,479</u>	<u>2,436,969</u>
Taxpayers' equity and other reserves			
General fund	SoCTE	554,611	565,154
Revaluation reserve	SoCTE	2,090,523	1,926,189
Pensions reserve	SoCTE	65,345	(54,374)
Total taxpayers' equity		<u>2,710,479</u>	<u>2,436,969</u>

The notes on pages 92 to 133 form part of these accounts. The financial statements were approved by the board on 18 October 2023 and signed on its behalf by:

Clare Pillman
Chief Executive and Accounting Officer

Date: 18 October 2023

Statement of Cash Flows

For the year ended 31 March 2023

		2022/23	2021/22
	Note	£'000	As restated £'000
Cash flows from operating activities			
Net operating expenditure	SoCNE	(156,003)	(151,091)
Adjustment for non-cash transactions		49,741	54,775
Movement in trade and other receivables	11	(12,364)	(7,189)
Movement in trade and other payables	13	10,192	5,858
Movement in financial liabilities	SoFP	(409)	(53)
Movement in provisions	SoFP	817	193
Net cash flow from operating activities		<u>(108,026)</u>	<u>(97,507)</u>
Cash flows from investing activities			
Purchase of tangible assets	7.1	(6,368)	(8,154)
Purchase of intangible assets	7.2	(7,120)	(7,705)
Proceeds on disposal of property, plant and equipment		816	1,158
Proceeds on disposal of financial assets		1,827	-
Net cash flow from investing activities		<u>(10,845)</u>	<u>(14,701)</u>
Cash flows from financing activities			
Grants from Welsh Government*	SoCTE	117,777	113,346
Repayment of lease liabilities	8.2	(2,822)	-
Net Financing		<u>114,955</u>	<u>113,346</u>
Net increase/(decrease) in cash and cash equivalents in the period		<u>(3,916)</u>	<u>1,138</u>
Cash and cash equivalents at the beginning of the period		<u>8,993</u>	<u>7,855</u>
Cash and cash equivalents at the end of the period	12	<u><u>5,077</u></u>	<u><u>8,993</u></u>

*Non Grant-in-aid payments received from Welsh Government have been recorded as income during the year. These had previously been categorised as Grant-in-aid, and credited directly to the general fund. The comparative figures have been restated to reflect the prior year impact of this change in allocation.

The notes on pages 92 to 133 form part of these accounts.

Statement of Changes in Taxpayers' Equity

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				
Grants from Welsh Government	117,777	-	-	117,777
Balance at 31 March 2023	554,611	2,090,523	65,345	2,710,479

Comparative figures for the year ended 31 March 2022

	General Fund As restated £'000	Revaluation Reserve £'000	Pension Reserve £'000	Total As restated £'000
Opening Balance	459,285	1,595,971	(106,644)	1,948,612
Comprehensive net expenditure for year	375,011	-	-	375,011
In-year movement				
Revaluation of Property, Plant and Equipment	(356,562)	356,562	-	-
Realised revaluation	26,344	(26,344)	-	-
Actuarial movement on pension scheme	(64,008)	-	64,008	-
Increase in pension liability	11,738	-	(11,738)	-
Total in-year movement	(382,488)	330,218	52,270	-
Funding				
Grants from Welsh Government	113,346	-	-	113,346
Balance at 31 March 2022	565,154	1,926,189	(54,374)	2,436,969

Non Grant-in-aid payments received from Welsh Government have been recorded as income during the year. These had previously been categorised as Grant-in-aid, and credited directly to the general fund. The comparative figures have been restated to reflect the prior year impact of this change in allocation.

The notes on pages 92 to 133 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 2022/23 Government Financial Reporting Manual (FReM) issued by HM Treasury and with the accounts direction given by the Welsh Government in accordance with paragraph 23(1) of the Natural Resources Body for Wales (Establishment) Order 2012.

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

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

The preparation of financial statements requires various estimates and assumptions to be made that affect the application of accounting policies and reported amounts. All such estimates and 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 Welsh Government are treated as financing received from a controlling party. They are recorded as a financing transaction and are credited directly to the general reserve in the Statement of Financial Position and not through the Statement of Comprehensive Net Expenditure.

Other non Grant-in-aid payments received from Welsh Government are included in the Statement of Comprehensive Net Expenditure. These payments had previously been categorised within Grant-in-aid, and therefore the prior year comparatives have been re-stated to reflect this change.

1.4 Income, expenditure and grants

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

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

Income received in advance of the work being 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. 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 2022/23 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 2022/23, these valuations were provided by the relevant firms of Chartered Surveyors or by internal valuers. The valuations for these assets were also undertaken in line with the requirements of the RICS Red Book as referred to above.

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

Changes in accounting policies

From 1st April 2022, NRW recognises other non Grant-in-Aid payments received from Welsh Government as income within the Statement of Comprehensive Net Expenditure. These payments had previously been categorised as funding and credited directly to the General Fund within the Statement of Changes in Taxpayers' Equity. We have re-stated the comparative year's figures to reflect this change in policy retrospectively.

Changes in accounting estimates

There were no changes in accounting estimates during the year ended 31 March 2023.

IFRS's Effective in these financial statements

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

IFRS 16 - Leases

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

In applying IFRS 16, for all leases, NRW has:

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

See note 8 for further details of the implementation of IFRS 16 from 1 April 2022.

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.

On February 12, 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for annual periods beginning on or after January 1, 2023.

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.

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

This standard sets the basis for applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors.

On February 12, 2021, the IASB published Definition of Accounting Estimates (Amendments to IAS 8) to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023.

This amendment is not expected to have any 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. IFRS 17 is effective for annual periods beginning on or after 1 January 2023.

The Government Financial Reporting Advisory Board (FRAB) receives multiple updates from HM Treasury on the work ongoing to implement IFRS 17. FRAB was informed of discussions ongoing as part of the Technical Working Group for IFRS 17 implementation including attempting to fully understand and outline the scope of IFRS 17. FRAB is keen to fully understand the scope of and impact this standard will have on the public sector. On 30 March 2023 FRAB published a board paper detailing the impact of IFRS 17. This provided some clarification of application guidance and date of implementation of the standard. 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

- Renewable bonds (shown in note 13)
- Cash deposits with NRW (shown in note 13)
- Escrow accounts
- Local authority deed agreements
- Parent company guarantees
- Umbrella agreements (covering a number of sites)

1.11 Notes to the accounts

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

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

Notes 15 to 23 relate to figures not disclosed elsewhere in these accounts.

2. Analysis of net operating expenditure by segment

For the year ended 31 March 2023

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	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	The Finance and Corporate Services Directorate provides financial services, audit and risk assurance, ICT services, buildings, fleet management and the renewal programme.
Operations	The Operations Directorate has principal responsibility for achieving the sustainable management of natural resources in Wales' geographical area, including its marine environment, across the range of NRW's remit. Also provides capital programme management, commercial operations and planning and marine services for the whole of Wales.
Evidence, Policy and Permitting	The Evidence, Policy & Permitting Directorate provides outward-facing central co-ordination for the organisation, leading on policy and strategy development, evidence, tools, standards, guidance and advice to enable other NRW teams, Welsh Government colleagues and partners fulfil their remit. There are also some direct delivery roles within the Directorate such as the Permitting Service and Flood Forecasting Service.
Customer Communications and Commercial	External relations, communications and customer contact centre. This also includes responsibility for commercial services and procurement support.
Corporate Strategy and Development	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.
Centrally Controlled	Income and expenditure controlled centrally and not allocated to directorates. It includes depreciation, book value of fellings, year-end accruals for provisions.

Comparative figures for the year ended 31 March 2022 (as restated)

	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	27,058	99,224	59,746	8,156	8,245	52,549	254,978
Operating income	(37,668)	(47,386)	(13,447)	(5,256)	(130)	-	(103,887)
Total	(10,610)	51,838	46,299	2,900	8,115	52,549	151,091
Capital expenditure	8,806	2,358	4,695	-	-	-	15,859

3. Staff costs

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

	2022/23			2021/22
	Permanent Staff	Other Staff	Total	Total
	£'000	£'000	£'000	£'000
Wages and salaries	85,281	13,290	98,571	93,123
Social security & other taxation costs	9,622	558	10,180	8,971
Other pension costs	21,578	400	21,978	20,415
Total net salary costs	116,481	14,248	130,729	122,509
Other expenditure for staff			8,258	9,463
Less amounts charged to capital projects			(14,136)	(12,757)
Total staff costs			124,851	119,215

4. Capital works expensed in year

	2022/23	2021/22	31 March 2023	31 March 2022
Categories	Actual £'000	Actual £'000	Committed £'000	Committed £'000
Operational work	30,584	23,113	23,434	10,211
Capital grants	2,184	2,522	139	1,719
Total	32,768	25,635	23,573	11,930

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 Welsh Government.

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

- Where designated Welsh Government capital funding has been allocated to a scheme, which would not normally result in the acquisition of a tangible or intangible asset owned by 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.

Operational work includes:

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.

Other works

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

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

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

Capital grants

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

5. Other expenditure

	2022/23 £'000	2021/22 £'000
Cash items		
Bought in services	23,512	18,944
Reservoir operating agreements	11,492	10,510
ICT costs	7,866	7,879
Forest roads network maintenance	5,725	5,319
Materials and equipment	3,932	4,423
Office running costs	3,825	3,950
Fleet Costs ¹	2,746	3,916
Collaborative agreements	2,245	1,405
Grants	1,637	1,087
Service level agreements	2,561	2,450
Staff related costs	2,631	2,242
Rents ¹	383	1,853
Fees and court costs	846	1,165
Rates	710	721
Operational costs	732	564
Travel and subsistence	1,096	440
Statutory audit fees	182	193
European grants	192	88
Losses and special payments ²	112	1,154
Sub-total	72,425	68,303
Non-cash expenditure		
Value of sold timber	26,476	29,856
Depreciation, amortisation and impairment ¹	13,881	9,700
Derecognition of assets ³	67	1,928
Losses ²	266	1,555
Movement on expected credit loss	81	(778)
(Gain) / Loss on disposal	709	(219)
Movement on other provisions	817	102
Movement on reservoir operating agreements	(194)	(319)
Sub-total	42,103	41,825
Total	114,528	110,128

¹ The implementation of IFRS 16 during the year has resulted in the reduction of lease charges for vehicles and land and property included within Fleet costs and Rents respectively. Assets created under IFRS 16 have increased the depreciation charge above, with the liability element resulting in a new finance charge in the SoCNE. See note 8 for further details on the implementation of IFRS 16.

² Details of write-offs, losses and special payments are shown in the Parliamentary and Audit Report.

³ Public structure assets of £67k which NRW do not own or maintain were derecognised during 2022/23 (Public structure assets of £1,718k & ICT development costs of £210k were derecognised in 21/22).

6. Income analysis

For the year ended 31 March 2023

	2022/23	2021/22
	£'000	As restated £'000
Abstraction charges	21,452	19,132
Environmental permitting regulations: water quality	6,993	6,563
Environmental permitting regulations: installations	3,263	3,158
Environmental permitting regulations: waste	2,182	2,029
Other environmental protection charges	1,750	1,830
Fishing licences	1,026	1,166
Nuclear regulation	781	1,375
Hazardous waste	1,389	979
Water resources rechargeable works	698	684
Marine licensing	351	300
Emissions trading	143	95
Charge Income	40,028	37,311
Timber income	33,652	36,944
Renewable energy income ^{1.}	9,688	5,166
Internal drainage district income	1,462	1,611
Income from estates	2,686	2,966
Legal costs recovered and Proceeds of Crime Act income	101	283
Provision of information and services	1,492	882
Miscellaneous income	51	188
Interest receivable	-	32
Commercial and other income	49,132	48,072
Welsh Government grants	22,234	16,306
European income ^{2.}	3,773	1,773
Grants and contributions	977	425
European and other external funding	4,750	2,198
Total income	116,144	103,887

^{1.} Renewable energy income is shown net of fees due to Welsh Government in respect of wind energy income. The balance of £9,688k (in 2021/22, £5,166k) represents income of £18,286k (in 2021/22, £12,900k) after deducting the fee payment to Welsh Government of £8,597k (in 2021/22, £7,734k).

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

6.1 Analysis of fees and charges

Year ending 31 March 2023	Income billed £'000	Expenditure £'000	Surplus/ (Deficit) £'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	0
Nuclear regulation	735	781	(46)
Hazardous waste	1,328	1,389	(61)
Water resources rechargeable works	698	698	0
Marine licences	348	351	(3)
Emissions trading	143	143	0
Total	38,558	40,028	(1,470)

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

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: an application for a licence or permit for which revenue is recognised at the time of the application, and the subsistence charge associated with licences and permits, which give the customer legal entitlement to carry out their operation for a period of time under NRW regulation. Such subsistence income is recognised when billed at the point the new permit period commences.

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

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

We have a transitional arrangement where material balances without a plan will be reduced by 31 March 2024. This treatment overrides the standard revenue recognition criteria outlined in the first paragraph above.

Significant judgement

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 13) 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 13).

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

The key activities of each area are listed below:

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

7. Non-current assets

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

Recognition

All land is capitalised regardless of value. The threshold for capitalising other assets with a useful economic life of more than one year is £5,000. Individual items costing less than £5,000 can be grouped as one asset if the total cost exceeds £5,000 and these assets operate as part of a network. Subsequent expenditure on an asset is capitalised if the criteria for initial capitalisation are met, it is probable that additional economic benefits will flow to 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 2022/23	Valuer
Forest Estate	Forest Estate	Fair value	31 March 2021	Interim valuation	Savills
Freehold Land	Agricultural Land - Equipped Asset	Fair value	31 March 2022	Full 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 2022	Full valuation	Internal
	Hydro Schemes	Fair value	31 March 2022	Full valuation	Internal
	Third party Access	Fair value	31 March 2022	Full valuation	Internal
	Telecom Masts	Fair value	31 March 2022	Full valuation	Internal
	Mineral Leases	Fair value	31 March 2022	Full valuation	Internal
	Other Agreements	Fair value	31 March 2022	Full valuation	Internal
	Forest Holidays	Fair value	31 March 2022	Full valuation	Avison Young
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
	Agricultural (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 2022/23	Valuer
Operational Structures	Boreholes	Modified historic cost	N/A	ONS Index*	Internal
	Gauging Station	Modified historic cost	N/A	ONS Index*	Internal
	Locks & Weirs	Modified historic cost	N/A	ONS Index*	Internal
	Sea & River Structures	Modified historic cost	N/A	ONS Index*	Internal
	Sluices	Modified historic cost	N/A	ONS Index*	Internal
	Other	Modified historic cost	N/A	ONS Index*	Internal
	Pumping Stations	Modified historic cost	N/A	ONS Index*	Internal
	Fish Passes	Modified historic cost	N/A	ONS Index*	Internal
Operational Structures (Public Structures)	Boardwalks	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

* ONS - Office of National Statistics

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

In 2020/21 a rolling programme for full valuations was established. The valuations as at 31 March 2023 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 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.

Comparative figures for the year ended 31 March 2022

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

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

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

7.1.1 Forest estate including biological assets

Legal ownership of the Welsh Government Woodland Estate is vested with the Welsh Ministers. It is included in 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 Welsh Government's strategy for woodlands and trees). Their purpose can be split between economic (contribution to a thriving and sustainable Welsh economy) and other (social, environmental, climate change). Under International Accounting Standard 41 (Agriculture), timber grown for economic purpose must be classified as biological assets. The rest of the timber, together with all underlying land, is classified as property, plant and equipment and referred to as the forest estate.

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

Estimation techniques, assumptions and judgements

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

It is not considered cost effective to carry out a 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 2023. 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 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 (2021/22 : 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 2023 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 2023	31 March 2022
	£'000	£'000
Cefn Croes	14,373	6,960
Pen y Cymoedd	86,271	88,645
Brechfa West	44,348	17,235
Clocaenog	<u>32,274</u>	<u>34,805</u>
Total	177,266	147,645

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

7.1.3 Heritage assets

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

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

As at 31 March 2023 NRW manages 56 of Wales' National Nature Reserves, either entirely, or in partnership, and one Marine Nature Reserve (MNR). There was one heritage asset purchase of £71k (2021/22: £nil) 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

	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000
Opening balance	7,000	7,099	7,403	7,403
Additions	-	304	-	71
Reclassifications	99	-	-	-
Closing balance	7,099	7,403	7,403	7,474

Further information on NRW' 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 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

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.

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

Comparative figures for the year ended 31 March 2022

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

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

8. Leases

IFRS 16 "Leases" has been implemented from 1 April 2022; this introduces 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 current period. IAS 17 operating leases are included within the SoFP as a lease liability and right of use asset for the first time with changes made through the general fund as a cumulative catch up adjustment. The calculation of the lease liability and right of use assets is included below.

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 are fair valued on initial recognition. On transition, any differences between the discounted lease liability and the right of use asset are 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 has 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 assesses 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%.

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, if there is a change in the group's estimates of the amount expected to be payable under a residual value guarantee, 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, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index rate as at the commencement date; and
- 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, including transition adjustments, 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 have been transferred from non-current assets as part of this adjustment. These leases have previously been 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 have been recognised in the general fund account.

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 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

This is a new note for 2022/23 as this is the first year of adoption of IFRS 16. As such comparative information is not presented.

8.2 Lease Liabilities

	31 March 2023 £'000	31 March 2022 £'000
Due within 1 year		
Lease liabilities (current)	2,367	-
Total	2,367	-
Due after 1 year		
Lease liabilities (non current)	8,276	-
Total lease liabilities	10,643	-

IFRS 16 has been applied using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. IAS 17 operating leases are included within our statement of financial position as a lease liability and right of use asset for the first time, with changes made through the general fund as a cumulative catch up adjustment.

	31 March 2023 £'000	31 March 2022 £'000
Leases under IFRS 16		
Interest on lease liabilities	117	-
Expenses relating to short-term leases (excluding low-value assets)	268	-
Expenses relating to leases of low-value assets	-	-
	385	-

Liabilities relating to leases previously recognised as finance leases were included in note 12 and note 16.2 in 21/22. These have been included in this note in the current year to reflect the full liability under IFRS 16. The comparative figures have not been transferred to this note.

Maturity analysis of leases held under IFRS 16

	31 March 2023 £'000	31 March 2022 £'000
Due within 1 year	2,367	-
Due in 2-5 years	4,240	-
Due in more than 5 years	4,036	-
Total lease liabilities	10,643	-

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

	31 March 2022 £'000	Adjustments - operating leases £'000	Adjustments - finance leases £'000	1 April 2022 after IFRS 16 Adjustment £'000
Non current assets per note 7.1	2,485,549	-	(52,410)	2,433,139
Right of use asset	-	12,793	52,410	65,203
Rent prepayment/accrual	358	(358)	-	-
Trade & other payables (Due within 1 year)	(20)	-	20	-
Trade & other payables (Due after 1 year)	(452)	-	452	-
Lease liability (current)	-	(2,564)	(3)	(2,567)
Lease liability (non- current)	-	(9,871)	(1,074)	(10,945)
Adjustment to reserves (due to discount rate adjustments of finance leases transferred to RoU asset)			605	605
Total	2,485,435	-	-	2,485,435
				1 April 2022 £'000
Operating lease at 31 March 2022 as disclosed under IAS 17				12,447
Rent prepayment/accrual				358
Discounted using incremental borrowing rate at 1 April 2022				(1,823)
Increases due to amended end dates				2,094
Leases previously excluded				3
Leases with less than 12 months term/low value leases				(225)
Other exclusions (licences, flooding rights etc.)				(61)
Total				12,793

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.

£7,173k was paid to Dŵr Cymru Welsh Water during 2022/23 (2021/22: £6,282k) 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 £51.2m. 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 2023	31 March 2022
	£'000	£'000
Non-current		
Lake Vyrnwy forest	16,358	16,807
Current asset held for sale		
Forest holidays	-	1,475
	<u>16,358</u>	<u>18,282</u>

Lake Vyrnwy forest

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

Forest Holidays

NRW previously held a minority shareholding in Forest Holidays via Forest Holidays LLP; a partnership organisation between NRW, Forestry England and Forestry Land Scotland. During 2021/22 it was agreed that Forest Holidays LLP would divest from Forest Holidays. The sale took place in during 2022/23 and Forest Holidays LLP was dissolved. Moving forward, the relationship between the three public sector organisations and Forest Holidays will be that of landlord and tenant and the existing charge on the leases has been transferred to the new owner.

11. Trade and other receivables

	31 March 2023	31 March 2022
	£'000	£'000
Due within 1 year		
Trade receivables	10,009	5,538
Expected credit loss	(174)	(93)
Contract assets - Commercial and other	5,293	4,502
Accrued income - Fees and charges	2,812	1,976
Accrued income - Other	13,214	6,881
Accrued income - European income	1,260	1,746
VAT receivable	4,116	2,982
Prepayments	2,275	2,273
Deposit	59	713
Other receivables	25	18
Total	<u>38,889</u>	<u>26,536</u>
Due after 1 year		
Long term receivables	3,462	3,451
Total Trade and other receivables	<u>42,351</u>	<u>29,987</u>

12. Cash and cash equivalents

	31 March 2023	31 March 2022
	£'000	£'000
Opening balance	8,993	7,855
Net change in cash and cash equivalent balances	(3,916)	1,138
Total	5,077	8,993
The following balances were held at 31 March		
Government Banking Service	5,075	4,201
Other bank accounts	0	4,790
Cash in hand	2	2
Total	5,077	8,993

Cash and cash equivalents comprise cash in hand, financial provisions (see Note 1.10) and current balances which are held in Government Banking Service. During the year the Barclays bank accounts, which had previously been included in Other bank accounts, were closed. 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.

13. Trade and other payables

	31 March 2023	31 March 2022
	£'000	£'000
Due within 1 year		
Trade payables	9,505	1,943
Trade payables accrual	21,304	18,986
Deferred Income - Fees and Charges	3,315	4,546
Deferred Income - EU and other funding	6,934	7,148
Contract Liabilities - Fees and Charges	536	144
Contract Liabilities - Commercial	955	426
Holiday pay	3,605	3,467
Bonds and deposits	2,895	1,301
Finance leases (current)*	-	20
Other payables	19	215
Taxation and social security	9	10
Total	49,077	38,206
Due after 1 year		
Long term payables	2,680	2,874
Finance leases (non-current)*	-	452
Long term deferred income	253	217
Long term bonds and deposits	121	190
Total	3,054	3,733
Total Trade and other payables	52,131	41,939

*IFRS 16 has been implemented within 2022-23, specific details regarding lease liabilities are included within note 8.2. There have been no changes to comparative data.

14. Provisions

	Grants	Other	Total
	£'000	£'000	£'000
Balance at 1 April 2022	91	175	266
Provided in the year	82	982	1,064
Released in year			-
Used in the year	(91)	(156)	(247)
Balance at 31 March 2023	82	1,001	1,083
Estimated timing of discounted cash flows			
Due within one year	82	1,001	1,083
Due between one and five years	-	-	-
Total	82	1,001	1,083

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 2023, but the claim is not due to be submitted to NRW until June 2023. The value of the provision is based on the grant offer letter.

Other provisions include a refund due to a customer in relation to hazardous waste and dilapidations provisions in relation to the Ty Cambria and Rivers House offices. The brought forward provision in relation to a compensation payments due to employees whose employment contracts have been amended in relation to incident rota duties was 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.

15. Pension obligations

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

15.1 Civil Service Pension Scheme

CSPS is open to new employees.

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period. 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

15.2 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 2022/23 was £14,855k (16,353k in 2021/22). 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' 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 142% of its expected future liabilities at 31 March 2023 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 (4.75% 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 2024 will be approximately £0 as it has paid all of its normal employer contributions in March 2023.

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 valuation flags that the financial experience did exceed expectations (7.5% annual investment return compared to 3.1% expected) and so has improved 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.

The notes below set out the disclosure requirements of IAS 19 for the current year in relation to NRW's participation in the EAPF. All calculations have been made by a qualified independent actuary. The assumptions underlying the calculation of a net asset at 31 March 2023 are only used for accounting purposes as required under IAS 19. It is determined that NRW has a unilateral right to the asset and therefore the asset is recognised within these financial statements but with a ceiling value applied equal to the maximum benefit available to NRW either by refunds due or reduced contributions. 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.

15.2.1 Financial and longevity assumptions

Period Ended	31 March 2023 % p.a.	31 March 2022 % p.a.
Pension Increase Rate	2.95%	3.20%
Salary Increase Rate	3.45%	3.70%
Discount Rate	4.75%	2.70%

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

	Males	Females
Current Pensioners	21.2 years	23.8 years
Future Pensioners*	22.4 years	25.7 years

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

15.2.2 Sensitivity analysis

Change in assumptions at 31 March 2023:	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	7,169
1 Year increase in member life expectancy	4%	14,098
0.1% increase in the Salary Increase Rate	0%	1,501
0.1% increase in the Pension Increase Rate	2%	5,763

15.2.3 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.

15.2.4 Fair Value of Assets

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%

Fair Value of Assets for the year ended 31 March 2022

Asset Category	31 March 2022 (£000)				
	Quoted	Unquoted	Undetermined	Total	%
Equity Securities:					
Common Stock	65,730	-	-	65,730	14%
Preferred Stock	-	-	-	-	0%
Rights/Warrants	-	-	-	-	0%
Other Equity Assets	1,273	-	-	1,273	0%
Debt Securities:					
UK Government Bonds	-	-	-	-	0%
Corporate Bonds	-	-	-	-	0%
Other	-	-	-	-	0%
Pooled Investment Vehicles:					
Equities	-	141,237	-	141,237	30%
Bonds	-	160,377	-	160,377	35%
Funds - Common Stock	-	-	-	-	0%
Funds - Real Estate	-	-	-	-	0%
Funds - Venture Capital	-	-	-	-	0%
Venture Capital and Partnerships:					
Partnerships & Real Estate	-	72,687	-	72,687	16%
Other Investment:					
Stapled Securities	-	-	-	-	0%
Derivative Contracts:					
Equity Derivatives - Futures	-	-	-	-	0%
Forward FX Contracts	-	(124)	-	(124)	0%
Cash and Cash equivalents					
All	-	-	22,255	22,255	5%
Totals	67,003	374,176	22,255	463,434	100%

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

Period ended 31 March 2023			
	Assets	Obligations	Net (liability)/asset
	£(000s)	£(000s)	£(000s)
Fair value of employer assets	463,434		463,434
Present value of funded liabilities		517,808	(517,808)
Present value of unfunded liabilities	-	-	-
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.

It is estimated that the present value of funded liabilities comprises of approximately £168,300,000, £49,777,000 and £134,367,000 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2023. The employer's fair value of plan assets is approximately 10% of the Fund's total.

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

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

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

16. 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 2023 £'000	31 March 2022 £'000
Property plant and equipment		
Plant and machinery	296	553
Transport equipment	11	728
Operational structures	621	439
Public structures	156	125
Information technology - hardware	787	-
Total	<u><u>1,871</u></u>	<u><u>1,845</u></u>
Intangible assets		
Information technology - software licences	18	14
Information technology - software development	787	151
Total	<u><u>805</u></u>	<u><u>165</u></u>
Total	<u><u>2,676</u></u>	<u><u>2,010</u></u>

17. Commitments under leases

Implementation of IFRS16

For government bodies reporting under the FReM, IFRS 16 has been brought into effect on 1 April 2022 and replaces IAS 17 (Leases). NRW has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. IAS 17 operating leases are included within our statement of financial position as a lease liability and right of use asset for the first time with changes made through the general fund as a cumulative catch up adjustment. Refer to Note 8 for further detail.

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. Obligations under operating leases (17.1 below) relate to those agreements that are not captured by IFRS 16.

Obligations under finance leases (17.2 below) are now disclosed within note 8.2, and as such are not disclosed above for the year ended 31 March 2023.

17.1 Operating leases

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

	31 March 2023			
	Land	Buildings	Vehicles	Total
	£'000	£'000	£'000	£'000
Obligations under operating leases are:				
Not later than one year	14	-	-	14
Later than one year and not later than five years	3	-	-	3
Later than five years	22	-	-	22
Total value of obligations	<u><u>39</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>39</u></u>
	31 March 2022			
	Land	Buildings	Vehicles	Total
	£'000	£'000	£'000	£'000
Obligations under operating leases are:				
Not later than one year	156	1,653	1,125	2,934
Later than one year and not later than five years	250	4,555	2,237	7,042
Later than five years	1,870	601	0	2,471
Total value of obligations	<u><u>2,276</u></u>	<u><u>6,809</u></u>	<u><u>3,362</u></u>	<u><u>12,447</u></u>

17.2 Finance leases

	31 March 2023 £'000	31 March 2022 £'000
Obligations under finance leases for land are:		
Not later than one year	-	20
Later than one year and not later than five years	-	47
Later than five years	-	405
Total value of obligations	<u><u>-</u></u>	<u><u>472</u></u>

18. Other financial commitments

In addition to the committed expenditure reported in Note 4 (Capital Works Expensed in year), Note 16 (Capital commitments) and Note 17 (Commitments under leases), NRW is committed to the following expenditure at 31 March 2023. 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 2023	31 March 2022
	£'000	£'000
Not later than one year	26,973	24,681
Later than one year and not later than five years	5,181	16,700
Later than five years	140	1,390
Total	<u>32,294</u>	<u>42,771</u>

19. 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 latest 12 months of income invoiced during the current financial year. The table includes projected income from windfarms, as NRW manages these leases on behalf of Welsh Government and royalties from Energy Delivery Programme, Third party access, Hydro and other leases.

	31 March 2023	31 March 2022
	£'000	£'000
Not later than one year	18,798	14,076
Later than one year and not later than five years	73,030	54,679
Later than five years	262,104	205,465
Total	<u>353,932</u>	<u>274,220</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 Welsh Government. More information regarding this income can be found in Note 1.4.

20. Contingent liabilities

NRW 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.

NRW has the following contingent liabilities:

	31 March 2023	31 March 2022
	£'000	£'000
Timber sales claims	60	60
Property damage claims	802	802
Public and employee liability	37	94
Total	<u>899</u>	<u>956</u>

Timber sales claims

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

Property damage claims

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

Public and employee liability

The value of three 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

Fifty-two 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.

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 2023, the potential liability is unquantified due to ongoing negotiations.

Public and employee liability

One claim has been received in relation to injury received whilst cycling on our estate.

HM Revenue and Customs (HMRC) Review

We have received HMRC's opinion on a potential liability in relation to IR35 and contractors which we have responded to. We expect discussions to be ongoing at the time the annual accounts are signed. A liability may materialise and a wide range of values are possible. An unquantifiable contingent liability is therefore disclosed.

Japanese Knotweed

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

21. Events after the end of the reporting period

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

22. Date of authorisation for issue

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

23. Related parties

NRW is a Sponsored Body of the Welsh Government, which is regarded as a related party. During the year, NRW has had significant material transactions with the Welsh Government in the normal course of business (the grant-in-aid; reported in the Statement of Taxpayers Equity and other grants received from Welsh Government during the year; reported in Statement of Net Expenditure). NRW has also had transactions with other entities for which the Welsh Government 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. 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	Total income	Amount owed by NRW at 31 March 2023	Amount owed to NRW at 31 March 2023
			£'000	£'000	£'000	£'000
Aberystwyth University	Rhys Jones & Spouse	Employees	17	3	0	1
Canals and River Trust	Spouse of Julia Cherrett	Trustee	0	26	0	2
Cardiff University	Steve Ormerod	Professor	36	10	0	0
Cardiff University Water Research Institute	Steve Ormerod	Co-Director				
Cardiff University Llyn Brianne Observatory	Steve Ormerod and spouse	Principal Investigators				
Cartrefi Conwy	Helen Pittaway	Non Executive Director	0	1	0	1
DEFRA including: Joint Nature Conservation Committee and Support Company	Karen Balmer	Independent member of JNCC Audit and Risk Committee	25	50	0	13
	Sir David Henshaw	Board member representing NRW				
	Steve Ormerod	Board member representing NRW				
Down to Earth Project	Mark McKenna & Spouse	Directors	4	0	0	0
Environment Agency	Steve Ormerod	Member of Science Advisory Group	3,720	1,660	624	841
Groundwork North Wales	Karen Balmer	Group Chief Executive	34	0	26	0
National Botanic Garden of Wales	Sarah Jennings	Trustee	2	1	0	0
Pembrokeshire Coast National Park Authority	Rosie Plummer	Welsh Government appointed board	249	1	20	0
Plantlife International	Rosie Plummer	Trustee	186	0	35	0
RSPB	Steve Ormerod	Vice President	763	2	567	0
Welsh Government	Calvin Jones	Employee (on secondment)	9,247	140,110	8,680	13,631
Wild Ground	Karen Balmer	Group Chief Executive	21	0	0	0

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

Member	Nature of transactions	Total expenditure	Total income	Amount owed by NRW at 31 March 2023	Amount owed to NRW at 31 March 2023
		£'000	£'000	£'000	£'000
Geraint Davies	Section 16 agreements under the Environment (Wales) Act 2016	9	0	0	0