



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

# **Annual Report & Accounts**

## **2013/2014**



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# Our Purpose...

is to ensure that the environment and natural resources of Wales are sustainably maintained, sustainably enhanced and sustainably used, now and in the future.



# //Welcome

Welcome to Natural Resources Wales' inaugural Annual Report. We are the first organisation in the world that brings together many of the tools needed to ensure that the environment and the natural resources of Wales are sustainably maintained, sustainably enhanced and sustainably used, now and in the future.

Alongside a wide range of operational and regulatory responsibilities, we are the principal adviser to Welsh Government on the environment and natural resources.

Our organisation was established on 1 April 2013 when the responsibilities, assets and staff from Countryside Council of Wales, Environment Agency Wales and the Forestry Commission Wales were brought together as Natural Resources Wales. In our first year we have built the important foundations of a successful organisation. Our Board has provided a focus on effective governance whilst we have set out our purpose, values and role as a 'learning' organisation.

At the same time, Natural Resources Wales has made sure that our important services and accountability were unaffected by transition. We have also ensured careful financial management in a difficult economic climate, successfully tackling a number of in-year challenges.

We understand that balancing the management of our natural resources and the environment in Wales means looking at every part of the big picture. We

have to make sure that each aspect is effectively managed to unlock potential and create the best sustainable outcomes that are good for people, good for the economy and good for the environment. Our focus is on integrated natural resource management, adopting an ecosystems approach to all that we do.

We are working to provide joined up services to our partners, customers and stakeholders, who benefit from dealing with a single organisation with a single voice. We have an ambitious change programme to develop ways of working that are better suited to Wales.

Our first year has been eventful. Tree diseases have had a huge impact on forests across Britain. In Wales we have had to fell two million larch trees to slow the nationwide spread, and have replanted over 750,000 trees on those areas. Natural Resources Wales also took a lead role in responding to the many incidents during the severe weather and flooding during the winter. We continue to work with communities to repair damage, build defences and develop resilience, and have completed flood defence schemes for Llanelli, Swansea and St Asaph

this year.

These major issues have not distracted us from the completion of many other excellent projects, including the extended visitor centre and new mountain bike trails at the world-leading Coed-y-Brenin Forest Park.

We also wish to pay tribute to Morgan Parry, a Board Member who sadly passed away in January. Morgan was a source of strength, common sense and wisdom during the formation of Natural Resources Wales. His passion, insight and experience will be missed.

This report demonstrates that great progress has been made - but we know there is much more to do, and that there are significant environmental, social and economic challenges ahead. We understand the value of working with staff, partners, customers and stakeholders to deliver the best possible outcomes. We would like to thank staff and the Board for their commitment and cooperation during this year of tremendous change and look forward to achieving more in 2014/15.



Chairman Professor  
Peter Matthews

*Peter Matthews*



Chief Executive  
& Accounting Officer  
Dr Emyr Roberts

# // Introduction & Background

Natural Resources Wales is a Welsh Government Sponsored Body, operational from 1 April 2013 when the functions of the Countryside Council for Wales, Forestry Commission Wales, and the Environment Agency in Wales, as well as certain functions of the Welsh Government, were transferred.

We were legally established on 18 July 2012 and as a result the first accounting period began on the 19 July 2012 and ends on 31 March 2014, however

the assets and liabilities of the three main legacy bodies, Countryside Council for Wales, Environment Agency Wales and Forestry Commission Wales were

transferred to us on 1 April 2013. At that point, Emyr Roberts, Chief Executive began his responsibilities as the Accounting Officer.

## Our values are:

**Passionate** and **ambitious** about our work and the positive impact we will have

**Disciplined** and **focussed** in our prioritisation and delivery

**Trusted** and **professional** in our relationships with stakeholders, staff, and their representatives

Taking a **common sense** approach to our work and being **responsible** and **accountable** for our actions.



## We have a wide range of roles and responsibilities:

**Adviser:** principal adviser to Welsh Government, and adviser to industry and the wider public and voluntary sector, and communicator about issues relating to the environment and its natural resources

**Regulator:** protecting people and the environment including marine, forest and waste industries, and prosecuting those who breach the regulations that we are responsible for

**Designator:** for Sites of Special Scientific Interest – areas of particular value for their wildlife or geology, Areas of Outstanding Natural Beauty (AONBs), and National Parks, as well as declaring National Nature Reserves

**Responder:** to some 9,000 reported environmental incidents a year as a Category 1 emergency responder

**Statutory consultee:** to some 9,000 planning applications a year

**Manager/Operator:** managing seven per cent of Wales' land area including woodlands, National Nature Reserves, water and flood defences, and operating our visitor centres, recreation facilities, hatcheries and a laboratory

**Partner, Educator and Enabler:** key collaborator with the public, private and voluntary sectors, providing grant aid, and helping a wide range of people use the

environment as a learning resource; acting as a catalyst for others' work

**Evidence gatherer:** monitoring our environment, commissioning and undertaking research, developing our knowledge, and being a public records body

**Employer:** of over 1,900 staff, as well as supporting other employment through contract work.



// Helping a wide range of people use the environment as a learning resource



## // Delivering our priorities for Flood Risk and Incident Management

# // Strategic Report

As a Welsh Government Sponsored Body exercising a wide range of legal functions, we play a key role in the governance of our country, helping Ministers to meet the aspirations of the people of Wales. Our primary role is to fulfil our statutory responsibilities and to meet the aims established for us by the Welsh Ministers, who agree our objectives through both a long-term outcome approach and an annual Remit Letter to establish areas of our work that require a particular focus.

Our Business Plan for 2013/14 and our subsequent Performance Dashboard were built around six delivery portfolios:

- Environmental Quality
- Environmental Resilience
- Jobs & Enterprise
- Flood Risk & Incident Management
- Health, Well Being & Community Involvement
- Understanding our Impact

These are aligned to the outcomes we share with the Welsh Government.

- Enhancing our environment
- Protecting people
- Supporting enterprise and

- jobs
- Improving the nation's health
- Viable and vibrant places
- Delivering social justice
- Supporting skills and knowledge

In support of these long-term outcomes, our Minister on behalf of Welsh Government set priorities for our first year of operation in the annual Remit Letter:

- Deliver Business Case Benefits
- Ensure Business Continuity
  - Undertake Enforcement
  - Ensure Incident Response
  - Take forward the Ecosystems Approach

- Specific priorities of Flood Risk Management, supporting jobs & businesses, access & recreation, and the urban environment
- Develop our first Corporate Plan 2014-17

We established a Change Programme to ensure the delivery of our new and standalone capabilities across a wide range of business processes and systems, infrastructure and organisational development. The targets for the first year of the programme were laid out in the 2013/14 Business Plan.

## Progress on delivering the Business Case benefits

We estimate that by the end of 2013/14 we will have taken actions to deliver savings worth £5.5m per year. These savings will accumulate to £47m by Year 10.

We predict that the actions in train will deliver annual increases in savings building up to £21m per year by 2018/19. This gives us confidence that we will achieve our Business Case benefits of £158m (non-cash and cash releasing) by Year 10.

In becoming independent of our legacy bodies and delivering the benefits from the Business Case, we achieved all the planned Forestry Commission service exits and 10 of the 16 planned Environment Agency service exits. We have not been able to

exit all the Environment Agency services as fast as originally planned, largely owing to the complexity of Environment Agency outsourced Information Communication Technology. The remaining Environment Agency service exits have been extended into 2014/15.

During our first year, a great deal of work has been put into developing the new organisation and creating the foundation for the future. This has included:

- Establishing our own systems and culture
- Appointing the Executive and Leadership Team
- Holding internal “conversations” to promote a common culture and agree values and ability to speak with one voice.

2013/14  
actions  
taken to deliver

**£5.5m**  
savings per year



Predicted rise to  
**£21 m**  
per year by 2018/2019

- Good progress in establishing standalone Information Communication Technology capability, with the aim for all staff to be on the Natural Resources Wales network by December 2014
- Development and implementation of our Accommodation Strategy, helping to bring staff together

At the beginning of the year the Board agreed a Corporate Performance Dashboard to measure our progress. The full year performance across the 46 measures in our Dashboard was:

**33 Green,**

**9 Amber** (within 10% of target) and

**4 Red** (indicating we are not where we planned to be).



Annex 2 -. Corporate Performance Dashboard provides the full year performance against the Business Plan 2013/14.



# // Highlights

## // Integrated Natural Resource Management and Ecosystem Approach

**Natural Resources Wales was created so we can be more joined up in our management of natural resources and the environment. This is ultimately about making sure that the environment and natural resources of Wales are sustainably maintained, sustainably enhanced and sustainably used now and in the future for the good of people, the environment and the economy. Success is dependent on working together to establish a common vision for the management of our natural resources, and prioritising the actions we take to deliver multiple benefits - working with the processes of nature.**

The Welsh Government Environment Bill White Paper consultation has proposed a new requirement for Natural Resources Wales to develop and implement an area-based approach for the sustainable management of natural resources. This is set within a clear National policy framework, and designed to maximise contribution to a series of shared goals. The “area-based approach” will be an integrated process that shapes and informs other delivery mechanisms - co-ordinating resource use to achieve maximum benefits. The ecosystem approach provides the overarching strategy and principles for more joined-up working and sustainable use. Natural resources management is the process by which we will deliver in a more integrated way.

During the year we responded positively to the proposals in the Environment Bill White Paper consultation and have drafted an interim natural resource management position statement. We also provided evidence to the Welsh Government Sustainability Committee

inquiry into the White Paper. We have established an ecosystem approach and natural resource management programme. Links have been made into key Welsh Government groups and to UK science (e.g. UK National Ecosystem Assessment) and policy work.

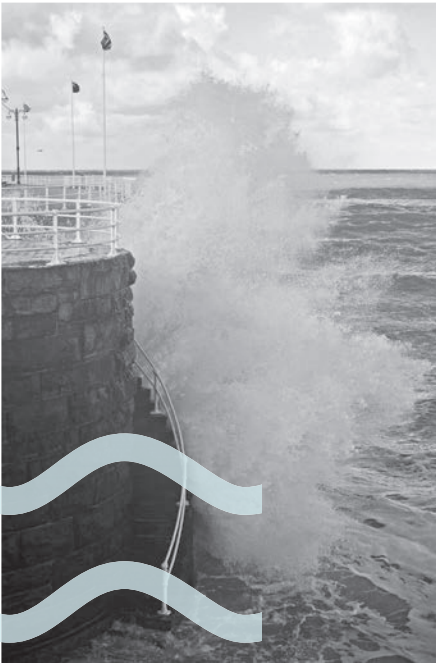
Work has started on integrating the ecosystem approach into our own policies (e.g. consultation on sustainable inland fisheries in Wales: an agenda for change; hydropower) and plans (e.g. Forest Resource Plans). We have also begun to identify plans which may be rationalised in the future as the area based approach develops.

We have identified and started work on three pilot areas to help us develop and test our approach to area-based planning based on catchments for natural resource management. These pilots focus on the Dyfi, Rhondda and Tawe catchments. Working with Welsh Government, we commissioned work to establish how the ecosystem approach can be embedded

into the statutory review of National Parks and Areas of Outstanding Natural Beauty (AONBs) management plans. We’ve improved staff understanding of the ecosystem approach and natural resource management by discussing the concept at staff events across Wales and holding more specific training. We have also started engagement with external stakeholders both at conferences and more local events.

# // Storms and High Tide Incident Response

The storms that affected the country in December and January caused some of the highest tides to hit the Welsh coastline for decades. 15 homes were directly flooded and a further 575 suffered. The storm damaged coastal defences at around 175 locations across Wales. Around 360 hectares of farmland was also flooded.



more frequent and serious storms, as well as increasing sea levels, in the coming years. It will not be feasible or affordable to defend the entire Welsh coastline into the future and it will become increasingly more important that all responsible and affected parties work together to respond to these challenges and manage these increasing risks.

The report concludes that whilst the impacts on those directly affected have been very serious and distressing, and the costs of repair substantial, the

impacts could have been very much worse. Substantial investment in coastal defences, improvements to flood forecasting and warning and better working between organisations and with communities all helped to reduce the impacts of these storms. Flood defences kept an estimated 74,000 homes safe, so that less than 1% of properties that potentially could have flooded were affected. Defences also helped keep 34,000 hectares of farmland, almost half the size of Anglesey, from being swamped.

At the height of the tide, we issued almost 23,000 warnings and alerts to properties across Wales. Many communities put their flood plans, which they had developed with us, into action, putting up flood gates and barriers to try and protect themselves and their properties.



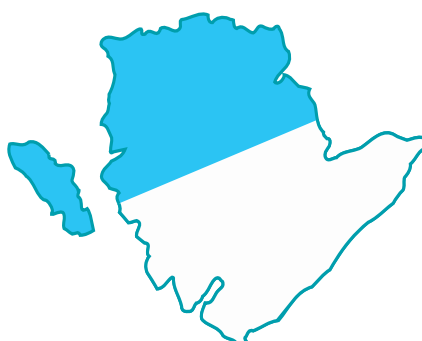
At the height of the tide, we issued almost **23,000 warnings and alerts** to properties across Wales

Our Phase 1 Report 'The Wales Coastal Flooding Review Assessment of Impacts' identifies more than £8m of damage to coastal defences in Wales during the storms. This figure is the damage caused to coastal defences owned and maintained by local authorities or Natural Resources Wales. It does not include damages to privately owned structures such as those owned by Network Rail.



Flood defences kept an estimated 74,000 properties safe, so that **less than 1% of properties** that potentially could have flooded **were affected**

Climate change projections indicate we can expect



Defences helped keep **34,000 hectares** of farmland, almost **half the size of Anglesey**, from being swamped.

## // Stepping up to the fight against larch disease

Early in the year aerial surveys revealed a significant increase in the spread of *Phytophthora ramorum*, with a large extension of the disease area in South Wales and a significant new outbreak area in North Wales. The majority of these areas are on the Welsh Government Woodland Estate (WGWE).

We carried out the surveillance programme for the disease in summer 2013 with over 1000 suspect sites visited and 270 new Statutory Plant Health Notices (SPHN) issued.

Following the announcement in December 2013 by the Welsh Government of the revised *Phytophthora ramorum* Disease Management Strategy, a major exercise was undertaken to reflect the new position and we are now tackling the outer edges of infection to try and slow its spread.

Over 2100 hectares of infected larch has been felled since 2010. In 2013/14, 289 hectares

has already been cleared and we are currently working to complete the clearance of a further 391 hectares on the WGWE.

Work has also taken place to replant large areas of woodland felled due to the disease. These include Bwlch Nant yr Arian near Aberystwyth, the Afan Valley near Neath, and Wentwood in the Wye Valley. In the last 18 months, we have planted more than 750,000 trees to restock felled areas affected by the disease. This is alongside the 2.9 million trees replanted at other woodlands to regenerate the forests after

felling for timber production. Thirty-seven different species of tree have been used as part of the replanting strategy, including native oaks, cherry and lime as well as more marketable timber like Douglas fir, Serbian spruce and Western red cedar. The aim is to create woodland that is more resilient to diseases and make for a more attractive forest for people to visit and provide a habitat for more species of wildlife.

This work has been partly funded by an additional £2.5 million received from Welsh Government during the year.



MORE THAN  
**750,000**  
trees planted to  
restock areas  
affected by disease

**2.9**  
million  
TREES  
REPLANTED  
to regenerate forests



# // Knowledge and Evidence – Our Knowledge & Information Management Strategy

We recognise that knowledge underpins the successful delivery of all our strategic objectives. Improving the ways in which we manage and share our knowledge is essential to improving our outcome and service delivery, and helps support the credibility and accountability of our decisions and actions.

During this first year we have concentrated our efforts on developing a new knowledge and information management strategy, and the successful transfer of knowledge assets and services from our legacy bodies into Natural Resources Wales.

This strategy defines our approach and outlines our knowledge management objectives and priorities for the next three years. It is designed to enable the delivery of the benefits and

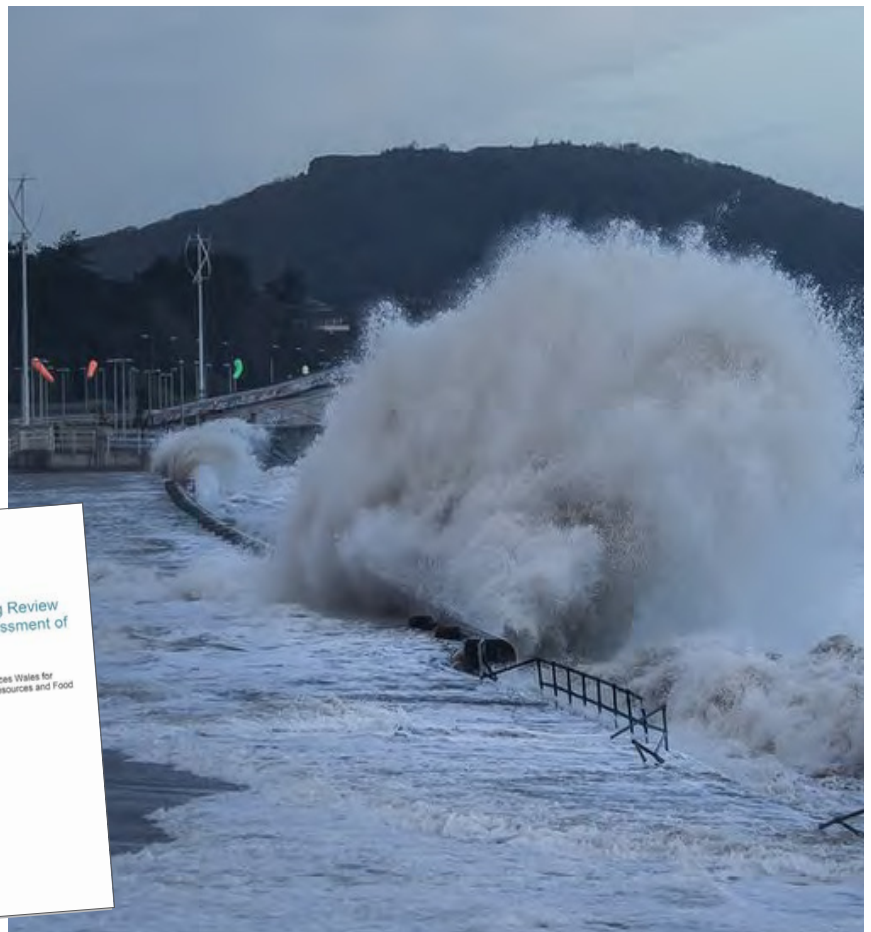
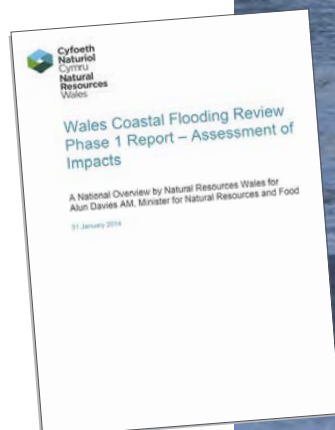
opportunities identified in the business case for creating our organisation and to increase our potential to exploit existing assets.

Significant challenges that we must overcome include the need to maintain service as we transfer knowledge assets from our legacy bodies, and the need to balance increasing demand and expectations for knowledge management services at a time of resource constraint and unprecedented

changes in external policy, legislation and technology. Collaboration, creativity, flexibility and innovation are vital in helping us to meet these challenges.

Through this strategy we aim to create a solid foundation on which we can build our future. Working extensively in partnership we aim to ensure that we use the ‘collect once, use many times’ principle.

A good example of Knowledge Information Management in practice is the review of storm damage that, drew on existing information, involved collaboration across the organisation and pulled together information of impacts across the whole newly combined Natural Resources Wales remit to gather new facts and information to create a new collaborative product. The report was prepared for the Minister 31 January 2014



# // Biodiversity - Our ongoing work to address State of Nature long term trends

Much of our day to day work is focused on addressing the issues identified in the State of Nature Report. This work includes:

- Maintaining and improving the protected site series, providing advice to government and others, contributing to policy and legislation development, including Site of Special Scientific Interest (SSSI), Section 15 Management Agreements, Marine Protected Areas, NERC Act 2006 Section 42 Species of Principal Importance in Wales etc.
- Identifying and designating protected areas e.g. we are currently consulting on Special Protection Areas extension.
- Addressing the drivers of change in the wider environment (e.g. providing advice on agri- environment schemes, climate change, fisheries, invasive non native species (INNS)) and providing input to statutory consultations responses and advice on marine developments including nationally significant infrastructure projects (NSIPs).
- Implementing the legal framework e.g. advice on environmental assessments, species licensing, consents etc.
- Working in partnership e.g. Wales Biodiversity Partnership (WBP) and the Marine INNS Pathways project.
- Undertaking and improving monitoring, surveillance and reporting of environmental change e.g. Intertidal and subtidal Special Area of Conservation (SAC) monitoring programme.
- Engaging the public.



Alongside this work, we also deliver a number of projects, for example, the ‘Snowdonia and Hiraethog Peat Bog Restoration’ project in partnership with Snowdonia National Park Authority, RSPB Cymru, Dwr Cymru Welsh Water and the National Trust. The project aims to restore favourable management to over 450ha (the equivalent of 600 football pitches) of wetlands by 2015. The scheme has been awarded funding from the Welsh Government’s Resilient Ecosystem Fund (REF) and we administer the delivery. Key elements of the project include blocking 70km of drains dug into the bogs and clearing brambles from boggy locations within or on the edge of the National Park boundaries, including the Berwyn Mountains, Denbigh Moors, the Migneint and Cors Arthog near Dolgellau. Managing the uplands in a different way means that they can help smooth out patterns

of runoff by releasing water more slowly to receiving streams and rivers. This will also improve water quality for our drinking supplies, fish and other wildlife. Blocking up drains will also help conserve the carbon store in the peat and may even enable renewed peat formation.

This year we also completed the LIFE Anglesey and Llŷn Fens project - one of Europe’s largest projects to restore fens. The aim was to restore or improve 751 hectares of very rare fen habitats, which depend on a delicate water balance and limestone springs that flow into the peat. Creating strong partnerships with local communities has been at the heart of the project – along with a commitment to developing opportunities for local businesses and the local economy to thrive.

## // Access and Recreation - Coed-y-Brenin & Bike Park

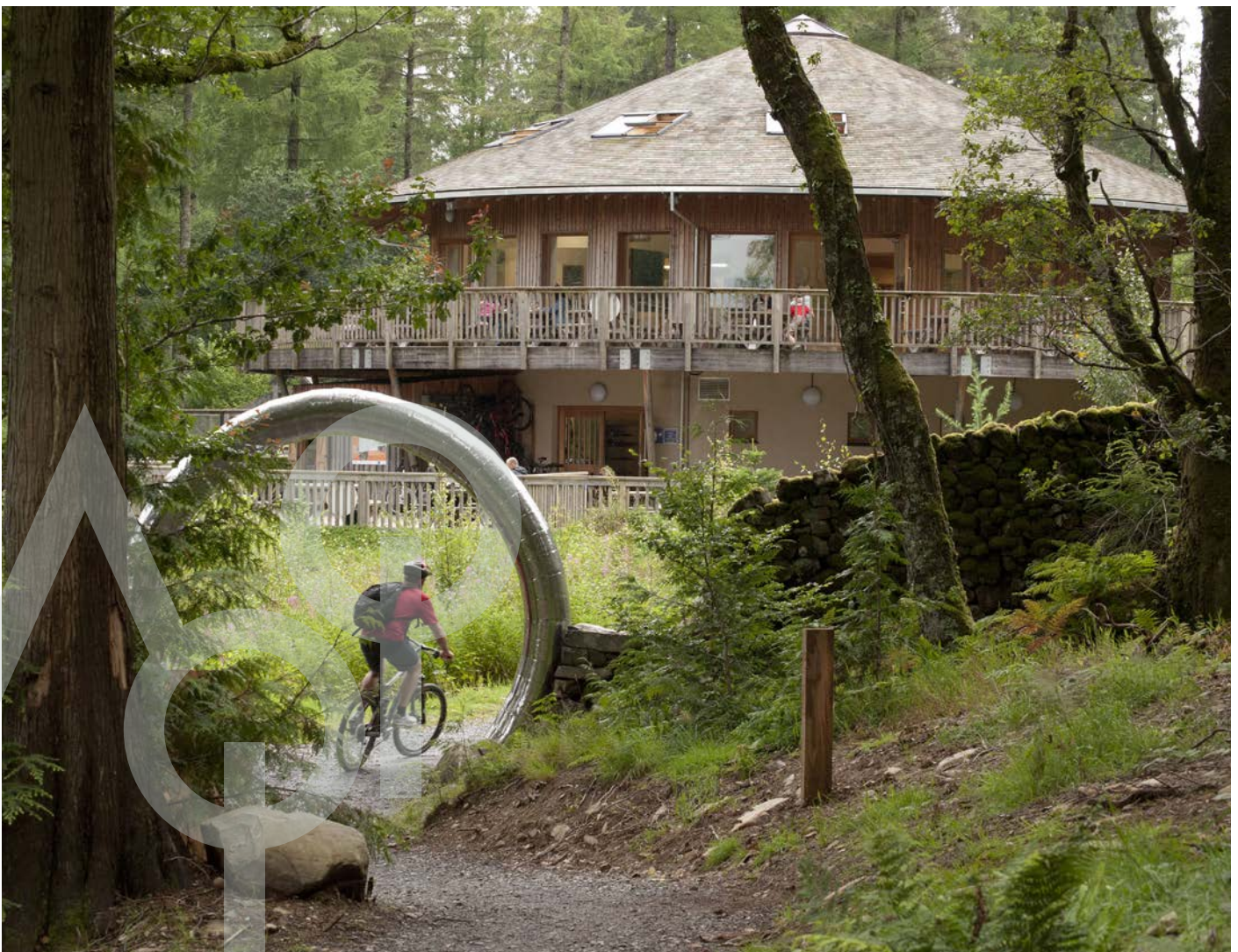
This year saw the completion of a four year project which will further extend the opportunities provided for visitors and for the economy of the local area surrounding Coed-y-Brenin Forest Park. It has been known as a world class venue for mountain biking for many years. The first custom built mountain bike trails were created back in 1992 and it has become increasingly popular as a destination for visitors ever since. This is vital to us as we understand the role played by natural resources and the environment in health and quality of life - we see the potential to contribute to tackling major issues such as child poverty, equality of opportunity and obesity.

As well as a new intermediate trail and new skills area, the visitor centre has been substantially extended, broadening the appeal for both mountain bikers and other cyclists. We have exceeded our target of 50,000 extra visitors.

Alongside work to upgrade and improve our own facilities,

we have also supported an innovative and exciting private development at Bike Park Wales. Based in Gethin Forest, it is right on the doorstep of Merthyr Tydfil. Bike Park Wales has reached one of its key first year targets in just 9 months with over 35,000 visitors riding its trails since its opening in August 2013. Natural Resources Wales, who

manage the woodland estate, has worked extensively with Bike Park Wales in providing a 'leased area' for it to develop the purpose built mountain bike trails it provides to the public. Working closely with Bike Park Wales we have maintained a working productive forest, alongside a privately managed recreational facility.



# // Customer Focus - Customer Care Centre

A significant objective for us is to establish a strong customer care culture throughout our organisation. An early success has been our new Customer Care Centre which was launched on 1 April 2013. The Centre provides a fully bilingual service and is the first point of contact for the public. The Centre has handled everything from straightforward general enquiries to a wide range of more complex issues from businesses seeking advice to supporting customers with registrations.

We have responded to over 48,000 calls, nearly 12,000 e-mails, processed 1700 permit applications and 7000 paper registrations. We handled 97% of calls within the agreed service level against a target of 80% and call response time runs at 97% against a target of 90%. Developments to permit receiving enabled us to

meet our 3 day turnaround commitment to the Permitting Support Centre.

Whilst we have come a long way in our first year, it is recognised that there is more to be done and we are committed to building the best possible experience for our customers.

Two Mystery Shopper exercises have been completed, achieving 98% for quality of information provided and 90% for customer service style.



48,000 calls  
nearly 12,000 e-mails

PROCESSED  
1700  
permit  
applications

7000 paper  
registrations



# // Building In-house Capability and Capacity –Llanelli Laboratory and Apprenticeships

Natural Resources Wales needed a cost effective service to analyse environmental samples as part of its monitoring programmes commitments. For example, to support EU Directive reporting and Blue Flag bathing water standards which can involve around 29,000 samples a year and tests for nearly half a million determinands.

We have successfully converted our Llanelli laboratory into a cost-effective, in-house analytical service run by a team who have completed the most ambitious programme of accreditation ever sought from United Kingdom Accreditation Service (UKAS). All the methods assessed by UKAS to date has been accredited and the quality of results been outstanding (as indicated by external quality assurance schemes).

Over the next ten years our laboratory will save us £1m in operating costs, with further benefits likely as we develop a commercial service. During the next year we will develop

a commercial service which will further help offset our costs.

We launched a new apprenticeship scheme in September for students looking to develop a career in Information and Communications Technology (ICT). The scheme, 'Cyfoeth', provides college and sixth form students with two years paid experience working amongst ICT professionals at the organisation's office in Bangor. During the apprenticeship, developed in conjunction with Microsoft, young people will be able to work towards an industry recognised qualification.

We are also about to broaden our opportunities for undergraduates to spend some of their time with us, together with short term opportunities for those who have recently completed a degree in an environmental science related subject. We are about to offer a range of new opportunities for postgraduate students in environmental science subjects to work with us on specialist topic areas that are closely connected with our core environmental work. Taken together, these represent a broad range of new opportunities.





## // Supporting Jobs and Business

We've worked with Welsh Government to issue a report on the benefit of the Wales Coast Path to business. The Economic Impact of Wales Coast Path Visitor Spending on Wales published by the Welsh Economy Research Unit shows how the path attracted an estimated 2.89m visits between October 2011 and September 2012. Expenditure related to the trips was around £33.2m and around 730 person-years of employment have been created.

We have been working within an aggregation of legacy processes to provide a single voice in providing our statutory development planning advice. An in-depth analysis has been undertaken to develop the right service for Natural Resources Wales which includes a more strategic and positive approach to our engagement with the planning system and delivery of the service our customers need. We have agreed that we can add most value by up front input to proposed development focusing our efforts on providing evidence and advice on strategic and spatial plans and actively working with our partners via initiatives such as the Energy Island Initiative.

Energy Island is a programme of low carbon energy generation projects on Anglesey. The estimated £20

billion investment in nuclear, wind, sea and sun could generate up to 10% of the UK energy requirements. Our focus for the next few years will be to provide consistent pre-application advice and guidance to developers to ensure forthcoming planning and permit applications, protect and enhance the local environment.

We did not achieve our targets for responding to planning consultations on time. Our aim was 90% and we achieved 75%. This performance is a reflection of the decision to prioritise our organisational change and development of new approaches alongside our need to deliver our statutory advice with a single voice. The figures have re-confirmed our decision to implement the changes identified in the year ahead.

We are a trading organisation, operating a number of commercial operations that yield approximately £16.5m per annum. This financial year has been extremely volatile in the marketing of timber, the end year result for roundwood timber offered to the market stands at 890km<sup>3</sup> which represents +3% of budget total and well within the acceptable range. Although we have offered 890k m<sup>3</sup> to the market, not all of the volume has sold during the year; circa 60Km<sup>3</sup> over bark standing will be re-packaged and re-offered during 2014/15.

Our enterprise strategy has been developed and includes a programme of feasibility studies to identify commercial opportunities for Natural Resources Wales.



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## Wales Coast Path

Between October 2011 - September 2012

**2.89m visits**

Visitors spent

**£33.2m**

**730** person-years of employment created.

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# // Working with communities –the Urban environment

We have developed urban community targets within our new Corporate Plan that build on the work of the legacy bodies.

The iTree Eco project (urban tree survey), which gives a monetary value to the benefits of trees by looking at the amount of carbon and other airborne pollutants captured and stored by urban trees, as well as their contribution to reducing the effects of climate change, has been published. It should be adopted into Wrexham’s Tree Strategy during 2014/15.

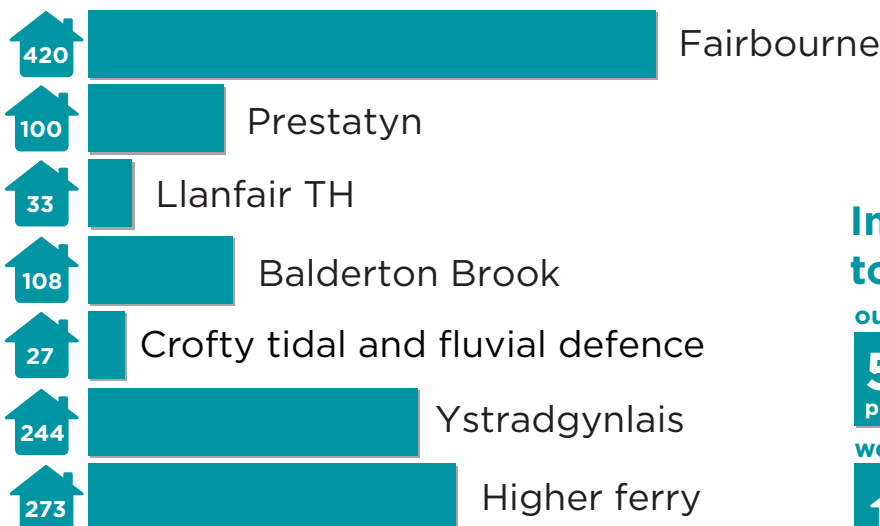
Tree planting pilots have progressed at Coed Aber, Treezilla in Aberystwyth and Coed Talbot at Port Talbot. Come Outside! networks, working with deprived communities, have been formed in Newport East, Cardiff West, Wrexham, Barry, Gwynedd, Caerphilly, Merthyr



Tydfil and Swansea. We have defined the different elements of our delivery and established procedures for local network

members to make bids for our Community Engagement and Capacity Building funds.

We have improved flood protection to 1205 properties, against a target of 500 and completed the following flood schemes during 2013/14:



**58.2%** of properties at risk are signed up to our Flood Warning Direct services; **our target was 58%.**

**Improved flood protection to properties**

our target

**500**  
properties

we delivered

**1205**

properties with improved flood protection

# // Supporting Welsh Government Policy Development and Legislative Programme

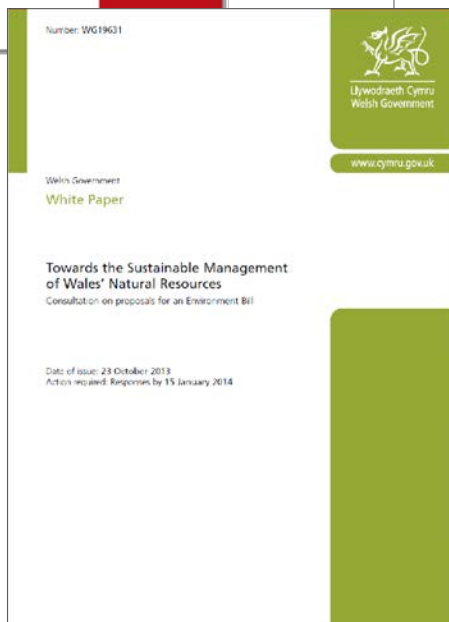
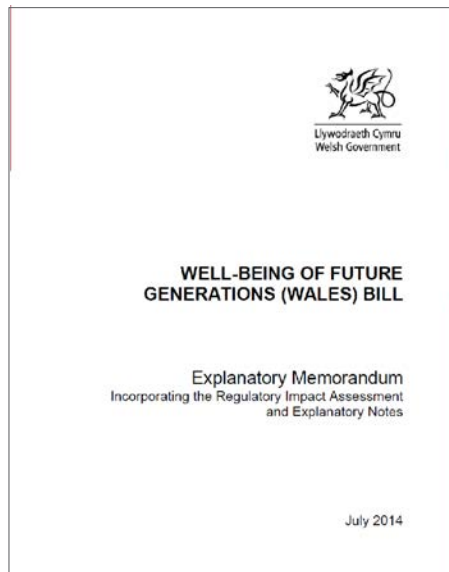
In our first year, we've responded to over 20 Welsh Government consultations and also supported the development of the Welsh Government's legislative programme, including the Planning Bill, Environment Bill, Well-being of Future Generations (Wales) Bill (formerly Sustainable Development) Heritage Bill, and Active Travel Bill.

We achieved this by working with Welsh Government in the development stages through Stakeholder, Reference and Advisory Groups and in our responses to formal consultation stages. For example, we have been actively involved in the Advisory Group for the Well-being of Future Generations (Wales) Bill,

including sub-groups, one of which provided an Advice Note to the Minister on the Principles of Sustainable Development and one on Environmental limits.

In respect of the Environment Bill, we responded to the White Paper consultation with substantial input

from a wide range of staff across the organisation, and from Board Members. We continue to be actively involved in the reference group and contributing at workshops organised by Welsh Government on specific elements of the Bill.



# // Building our Strategy and Plans for the future – Developing our relationships and publishing our first Corporate Plan

As a new organisation, it has been vital to develop our stakeholder relationships to ensure that our partners and those we serve are clear on our priorities and role. Our Board and many of our staff have met with a wide range of partners during the year. However, feedback would suggest we need to improve on the development of our strategic communications to further emphasise the case for our establishment.

During our first year, we have developed and published a Corporate Plan for Natural Resources Wales for the period 2014-17. It explains how our organisation will change over time and what our priorities will be, as well as highlighting some areas of work we may need to reduce.

We have developed a Performance Framework based around five 'Good' Programmes, which will be an important part of how we monitor and manage our performance.

From the outset, we have been keen to involve external stakeholders and our staff, and to build their views into our thinking on the final Corporate Plan and summary documents:

**Events and meetings:** We ran 10 events for our external stakeholders across Wales over the summer, asking participants how we could work better with them; over

100 different organisations took part. 31 organisations also submitted written comments. Information from these helped us develop proposals for our public consultation.

**Staff involvement:** We met with staff at 20 offices across Wales during the autumn, with 400 people giving us their views. We considered these in preparing both the public consultation document and for the final corporate plan.

**Public consultation:** our public consultation ran from 4 November 2013 to 10 January 2014. The consultation consisted of a set of proposals with 21 questions. We received 92 replies from a wide range of stakeholders which were subsequently analysed and used to inform our Corporate Plan.

**Corporate Plan:** We used all the information we had gathered to help produce our final Corporate Plan. As

well as the full document, we have also produced a short summary suitable for a wide audience, together with an 'easy read' version to ensure that as many people as possible can learn about our plans.

We developed and issued our Strategic Stakeholder Engagement strategy early in the year. Our focus is on working with a wide range of stakeholders and this is supported by the issuing of a regular bulletin 'Cyfoeth' to stakeholders.

# // Looking to the Future

**Our first Corporate Plan sets out how we will work during the next three years to make sure that Wales is a country where our air, land and water are managed sustainably. We will achieve this by using Good Knowledge, so that what we do is Good for the Environment, Good for People, Good for Business and that we are a Good Organisation.**

These five 'Goods' give rise to the five Programmes that we will use to organise our work. They are closely integrated, with the work we do in one 'Good' programme providing multiple benefits in achieving our work in the others. They are interdependent and cross cutting, as well as being important in the development of integrated natural resource planning. The Corporate Plan 2014-2017 can be found on Natural Resources Wales website. During 2014/15 we plan to further build on the work done this year and aim to deliver in the following key areas:

## **Stand-alone Capability:**

- Natural Resources Wales ICT infrastructure established in all offices and depots
- Establish our own full suite of operational ICT applications
- Complete migration of data
- Complete Geographical Information System
- Implementation of the Finance and Human Resources system
- Migrate telemetry onto the Natural Resources Wales network
- Complete development of the website
- Exit most of the remaining regulatory services provided by Environment Agency.

## **One Organisation:**

- Implement Total Reward Package
- Complete Organisational Restructuring

- Complete disposal of surplus accommodation phase 1 of the strategy
- Implement new Health & Safety system
- Progress on brand roll out
- Fleet Review and Rationalisation
- Procurement strategy and new framework and contract arrangements.

## **New Approaches:**

- Internal Drainage Boards incorporated
- New approach to Hydropower permitting
- Ecosystem Approach embedded
- Prepare for proposed new duty for Natural Resource Management Plans.

## **Benefits realisation and programme management:**

- Complete planned exit of all Environment Agency and Forestry Commission Great Britain transition services
- Benefits planning and tracking and recognising achievement
- Business Change Management and maintaining good communications.

## **Integrated Reporting**

We will start to scope during 2014-15 what is required to deliver Integrated Reporting, with the aim of delivering Integrated Reports in future years. We have supported the Welsh Government in its aspirations for the Well-being of Future Generations (Wales)

Bill, including direct advising through the Advisory Group as well as active participation in a number of working groups designed to help develop the implementation proposals for the Bill.

We have a unique opportunity as a new organisation, to ensure that our governance, strategy and reporting is fully aligned to the requirements of the Bill and establishes sustainable development as our central operating principle. Our aim is to produce Integrated Annual Reports that communicates to our stakeholders in a coherent and joined-up way how we have delivered, or will be delivering, value in the short, medium and long-term through our strategy, governance, performance and future plans..

## **Internal Drainage Board**

The Minister for Natural Resources has requested a more integrated approach to the management of natural resources in Internal Drainage Districts in Wales, removal of duplication of organisational arrangements and improved governance. He requested that officials take forward work to complete the transfer by 1 April 2015.

We are working to transfer the staff and functions of the Caldicot and Wentlooge, Lower Wye and Powysland Internal Drainage Boards to Natural Resources Wales from the 1 April 2015.

# // Management Commentary

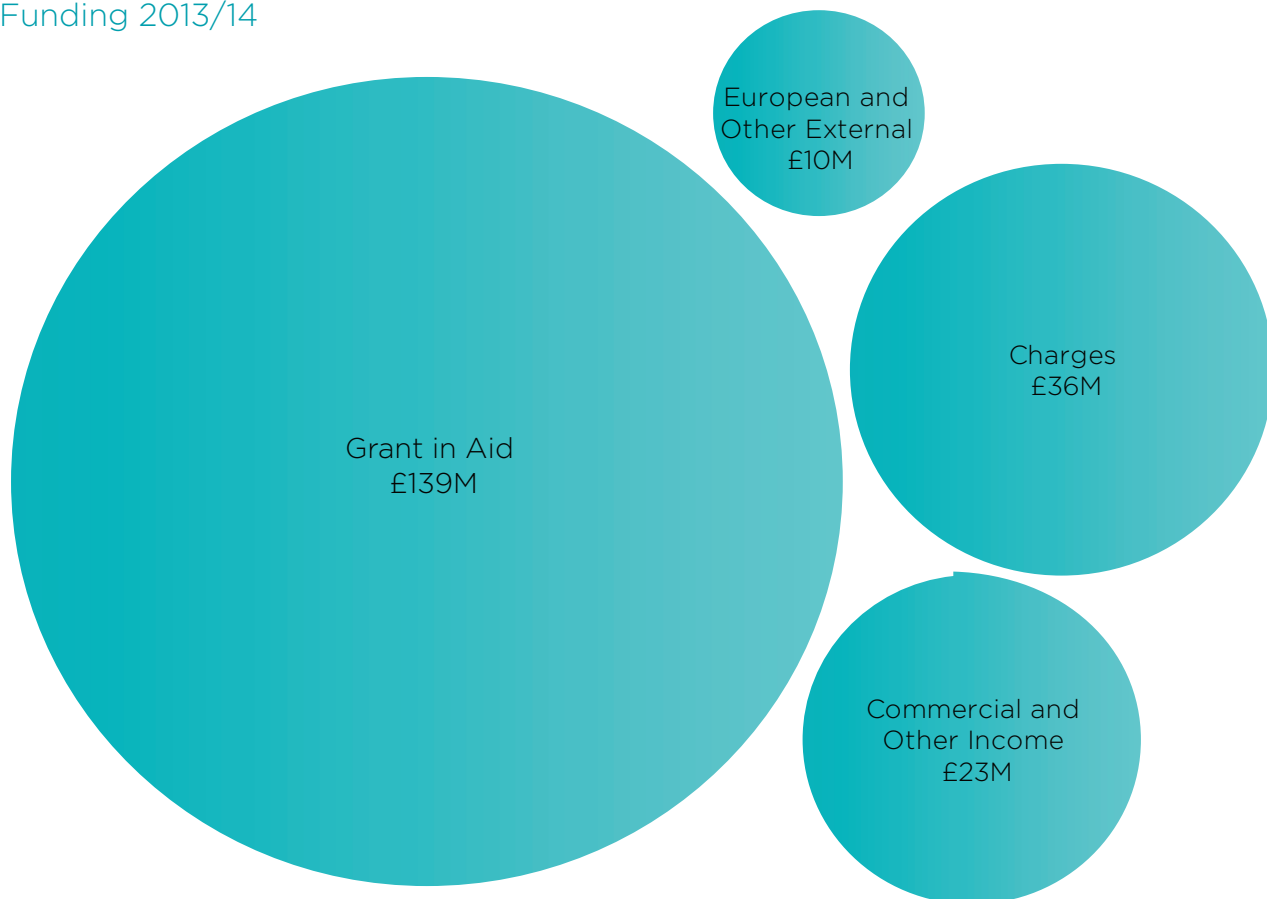
## Financial Performance Summary

This has been a challenging year for us – we began the financial year with a deficit in funding of £3.5m. We faced in year pressures on issues such as responding to the spread of Phytophthora ramorum tree disease and establishing our own independent ICT and operational infrastructure. Through savings, efficiencies and other budget reductions and additional Grant in Aid provided by Welsh Government, we have been able to manage our budget within the total amount of funding available.

## Funding

Our total income for the reporting period was £69m. In addition, Welsh Government provided £139m Grant in Aid towards a range of outcomes. £36m was allocated to Flood and Coastal Risk Management and £103m to Non-Flood and Coastal Risk Management. In the Accounts, Grant in Aid is treated as a contribution from a controlling authority and not a source of income. The table below illustrates the distribution of our total funding:

### Funding 2013/14

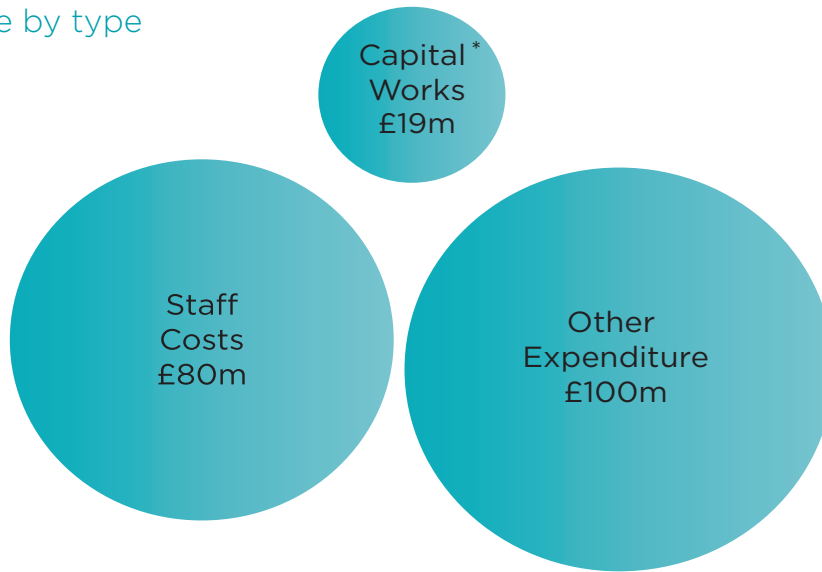


We have a number of funding sources which we keep discrete when planning and spending our resources. The main funding source of Grant in Aid is split between Flood and Coastal Risk Management and Non Flood and Coastal Risk Management – for both revenue and capital. We also have a number of Charge Schemes (see Note 6 of the Financial Statements) which are based on the principle of ‘cost recovery’. In addition to that we apply and receive additional funding from a number of sources (such as European funding) which are spent on specific projects.

## How we spent our money

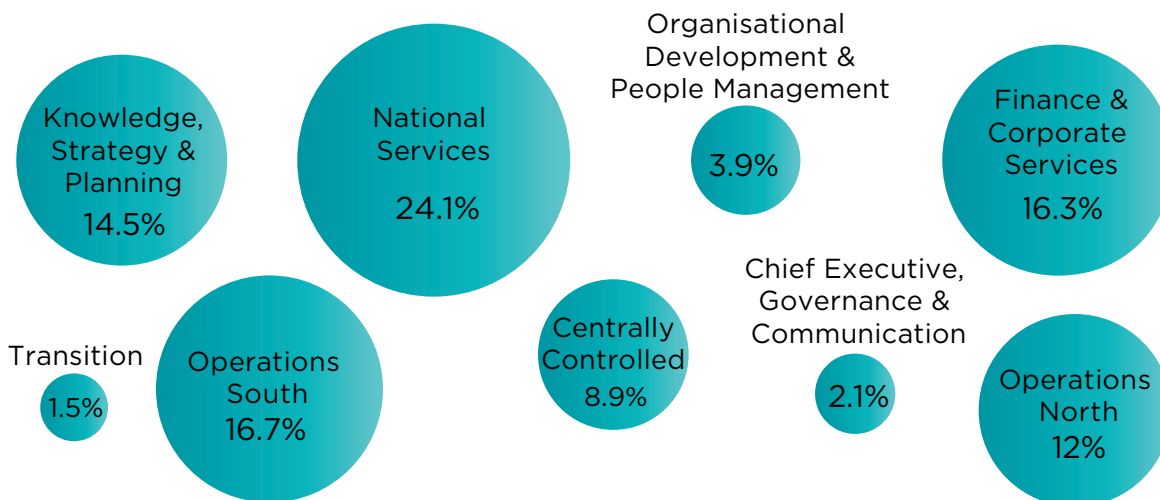
Our total comprehensive expenditure was £199m. Detailed breakdowns by category of spend can be found in Notes 5 and 6 of the Financial Statement and is also illustrated in the table below:

### Expenditure by type



\*Capital works expensed in year

### Expenditure by segment



Note 2 of the Financial Statements details where the money was spent.

## Future Developments

Funding in 2014/15 is set to be equally challenging due to the investment required to create our own ICT infrastructure and exit the services provided by the Environment Agency and Forestry Commission Great Britain.

We are currently undertaking a significant programme of work to establish our standalone capability as an organisation. That includes transforming and restructuring our organisation as well as investing in ICT Infrastructure. We will realise the benefit of these investments in years to come as we reduce our reliance on legacy organisations for services received.

We have published our Corporate Plan for 2014 to 2017, where we have classified our resources into five Programmes. These will form the basis for our resource prioritisation processes in future.

In 2014/15 we will be migrating from our existing (three) financial systems to one.

## Non Current Assets

The value of our non-current assets was £724m. The most significant component is the value of the forest estate and biological assets which accounts for £595m and 82% of the value at 31st March 2014. We are required to undertake an independent quinquennial revaluation of freehold land and buildings and forest estate and that will next be undertaken in 2015/16. In the intervening years, our non-current assets (except) vehicles are revalued via the appropriate indices.

## Forest Estate Valuation

Between 2008/09 and 2012/13 the valuation of the forest estate was in the accounts of Forestry Commission Wales. Between 2008/09 and 2011/12 the valuation of the forest estate, based on indices provided Bidwells, increased in value by £380m to £620m (forest estate and biological assets in total). This was primarily due to strengthening timber markets and an increase in the relative attractiveness of woodland to investors given the adverse performance of financial and other investments. The increase was particularly marked for Wales, due to the nature of the Welsh Government Woodland Estate.

In 2012/13 Smiths Gore were instructed by Forestry Commission Wales to undertake a full quinquennial revaluation of the forest estate and biological assets. This review indicated that the cumulative indexations for 2008/9 to 2011/12 had produced too high a valuation in comparison to other markets, given changes in the composition of the estate in terms of the age profile of plantations. As a result, the value of the forest estate and biological assets decreased from £620m to £520m.

In 2013/14, Smiths Gore was instructed by NRW to revalue the forest estate and biological assets on the basis of indices and as a result the value increased from £520m to £595m. Smiths Gore have confirmed that they regard this as reasonable given the relatively young age profile of NRW's woodlands in comparison to other comparable woodlands bought and sold during last year in Wales.

## Payment of Trade and other Payables

Welsh Government has a commitment to pay 95% of suppliers within 30 days and we aim to meet this target wherever possible. During 2013/14 98% of our payment to suppliers met those criteria. This helps to ease businesses' cash flow in the current challenging economic climate.

## Going Concern

The Statement of Financial Position at 31st March 2014 shows positive taxpayers equity of £650m. The future financing of our liabilities is to be met by Welsh Government Grant in Aid and the application of future income. We have already received approval for funding for 2014/15 and already have an indication of what funding we will receive for 2015/16. Therefore, it is appropriate to adopt a going concern basis to prepare the Annual Accounts.

## Estate Management

We manage Wales's public forest estate on behalf of the Welsh Ministers in accordance with the Welsh Government Woodland Strategy. We don't therefore have our own separate "estate management strategy" for the forests but we do have Forest Plans for all the forests, which sets how each forest will be managed to deliver strategy objectives over the next 25 years.



We are also currently working to develop Natural Resource Plans that will in effect, provide a series of local plans/strategies which will guide the management of the estate and assets across Wales.

The National Nature Reserves which are owned or leased by us, are managed in accordance with an approved management plan, which include conservation objectives from all recognised features of interest and identifies necessary projects and work programmes. The plans are reviewed periodically and the necessary implementation of the work identified in plans checked by our Conservation Management Team, through a rolling programme of reviews/environmental audits.

## Auditors

The accounts of Natural Resources Wales are audited by the Auditor General for Wales. The audit fee for 2013/14 was £159k and further £23k was charged for grant certification work. No fees were charged for other services in 2013/14

## Our Staff

We recognise our staff as our most valuable resource and our People Strategy describes how we intend to improve our capability and performance, work more flexibly and develop our organisation in line with our business needs.

## People Management

We started the year with the successful Transfer of Undertakings (TUPE) of legacy body staff and the establishment of the Executive and Leadership Teams. In the first quarter of the year we invested a significant amount of time with the Trade Unions agreeing a new Social Partnership Agreement. This builds on the Workforce Partnership Council principles and has captured both the spirit and the principles of Partnership working. We recognise five trade unions: Unison, Public & Commercial Services, Prospect, Unite and GMB. This time was a valuable investment with the work that has since taken place.

The Partnership Working has made a significant positive impact during the development of the Total Reward Package. This is a significant piece of work that covers areas such as new pay scales, allowances, job evaluation, annual leave, sick absence, special leave, the working week and wellbeing, whilst recognising the TUPE protections of staff that transferred in.

We have issued new policies for vacancy filling, corporate clothing, flexible resource pool, managing change, and violence against women and domestic abuse. In the first quarter of next year we are looking to implement a new discipline and grievance procedure as well as a harmonised code of conduct.

In October Trade Union members agreed a 2 year pay deal that in summary was 1.6% for the first year and 0.5% for the second year. We were also able to ensure we adopted the minimum living wage for all staff members.

We aim to ensure the wellbeing, health and safety (WHS) of our employees whilst they are in work, and, as far as possible, provide them with the help they need to deal with pressures outside work. Our WHS policy provides a statement of how we will manage this and our commitments. It also details roles and responsibilities of managers and employees.

Our sickness absence rates as at 31 March showed an average of 5.45 days lost per employee and equates to 2.3%. This was against a target of an average of 7 days lost, which equates to 3.1% of available working days.

## Voluntary Early Exit Scheme

We recognised that as a new organisation, and in order to realise our business objectives, we needed to reduce headcount costs. We made a successful bid for Welsh Government's 'Invest

to Save' funding, which we used to design and launch a Natural Resources Wales Voluntary Exit Scheme to staff across the new organisation. The scheme was well received as many staff viewed the opportunity to apply for voluntary exit as an opportunity to leave and take up other challenges and interests -126 staff left in total, with the majority leaving on or before the end of December 2013.

Our main objective was to reduce staff in corporate functions as there was inevitable duplication in these areas as a result of the merger of the three legacy organisations. We believe that the right staff were allowed to leave, whilst we were able to retain key skills and business critical roles required for us to move forward.

The total cost of the exits was £5.1m, made up of £3.75m from the Invest to Save Fund and £1.35m Grant in Aid funding from Welsh Government. The savings generated by the scheme are £0.9m in year and £4.3m annually onwards.

We intend to make further headcount costs reductions during 2014/15, with the aim of releasing around 100 staff. We are in the process of reviewing the scheme design before implementation later in the year.

## Developing the Skills and Capabilities of our Workforce

We are a highly professionally qualified organisation with over half the staff holding a first degree or higher. A third of these staff are also members of professional associations. As a leading expert in the environmental field, this level of expertise is important and necessary.

Against this backdrop, Natural Resources Wales is committed to the continuing development of our staff and sees investment in learning as a key strategy for the success of the organisation. The development of skills has been an integral part of our Workforce Plan, where we are putting arrangements in place now to deliver the right sized workforce, with the right skills, to meet the future challenges of Natural Resources Wales.

An early action was to carry out a full skills audit of all our staff in order to understand the skills they possess for their current roles and, from this, identify key skills gaps areas that require development for the future. Alongside this, we have been working closely to identify the key skill sets we need as an organisation for the future - these include skills required to deliver the immediate business changes that we have identified, together with the longer term skills needed as many of our posts evolve away from legacy based posts to become aligned to our future requirements. The net result of all this has been the development of a Learning Programme, which has been actively implemented during the year.

## Equalities & Diversity

We recognise the importance of equality and diversity to our success as an organisation, both in terms of getting the very best out of our staff and maintaining a strong and positive relationship with our customers and communities across Wales.

A key early action has been to carry out a full survey of our staff to understand more about them all, in terms of age, gender and protected characteristics etc. This helped inform our 2013/14 Equality and Diversity Action Plan.

We are currently implementing an Equality Impact Assessment tool which will be used when developing all our new policies, projects, plans and programmes that affect people's experiences of Natural Resources Wales as a service provider and/or as an employer.

## Welsh Language

We aim to be a fully bilingual organisation, where customers and staff can do business in the language of their choice. To achieve this, a key early focus has been the implementation of the Welsh Language Scheme.

A number of practical arrangements have also been put in place to promote the use of the Welsh Language. These include a Grŵp Pencampwyr Iaith Gymraeg (Welsh Language Champions Group), which has representation from across the business and has been set up to:

- Oversee and monitor the implementation of the Welsh Language Scheme in each Directorate.
- Act as co-ordinator between function/field staff and Grŵp Pencampwyr
- Help monitor implementation of the Scheme
- Check new staff are aware of the language scheme, and of the role of the Grŵp Pencampwyr
- Help to encourage use of Welsh within Directorates

## Corporate Environmental Reporting

Our organisation's purpose is to ensure that the natural resources of Wales are sustainably maintained, enhanced and used, now and in the future.

Over the next three years, we want to set the example in Wales in areas including our management and use of carbon, waste, water and land (as outlined in our Corporate and Business plans). Corporate reporting, on our organisation's own environmental impact, is included in Appendix 1: Corporate Environmental Report.

### Highlights in our first year, include that we have:

- Attained ISO14001 certification following independent external audits and verification – Having a recognised EMS allows us to demonstrate our own commitment to achieving the highest possible environmental standards as an organisation
- Established a baseline for future carbon reporting this year - setting a target to reduce our carbon footprint reduction in relation to our buildings energy use and travel by 5% in the next year

During the coming year, we will be working to improve our corporate environmental reporting by working towards integrated reporting.

# Remuneration Report

## Remuneration Policy

The Board has established a 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 Natural Resources Wales (NRW). The Remuneration Committee comprises of 5 non-executive Board Members. The Chairman is an ex officio member of the Committee.

The Chair and Board Members' remuneration is set by Welsh Government. The remuneration of senior employees (Executive Team members) is based on NRW terms and conditions. The remuneration policy for the most senior staff is not subject to collective bargaining and the remuneration package was set by reference to a set of benchmark roles in the Welsh public service and in comparable organisations in the UK. The package was simplified when compared to the legacy bodies with no additional benefits, and progression on the scale by reference to satisfactory performance to the benchmark (rate for the job), and on the basis of exceptional performance for the top two points.

NRW currently has four different sets of terms and conditions, three of which have been transferred from the legacy bodies. There is a social partnership agreement in place and the setting of terms and conditions for all other staff is through collective agreement with the social partners. The Welsh Government approves any changes to pay, terms and conditions and gives a pay remit to NRW within which it must deliver. A pay deal covering the period 1 April 2013 to 1 July 2015 was successfully negotiated in November 2013.

In this first year of NRW there has been a focus on developing a total reward package that meets the business requirements and establishes NRW as the employer of choice.

## Service Contracts

All appointments to the Board are made on behalf of the Minister for Natural Resources and Food. Appointments are normally made for either two or three years.

The Chief Executive and Executive Team members are normally employed under permanent contracts. Appointments are made in accordance with a recruitment policy, which normally requires appointment to be on merit on the basis of fair and open competition but also includes circumstances when appointments may otherwise be made. In its first year NRW had one member of the Executive Team on secondment from Welsh Government.

Unless otherwise stated below, the Executive Team members covered by this report hold appointments which are open-ended. These officers are required to give three months notice.

## Salary and Pension Entitlements

The following sections provide details of the remuneration and pension interests of members of the Board and Executive Team. Board Members are not entitled to join the Principal Civil Service Pension Scheme. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme for Executive Team Members only.

## Board Members' Remuneration

Board Member	Employment Contract	Salary <sup>1</sup> 1/8/12 to 31/3/13 (£5000 range)	Salary 1/4/13 to 31/3/14 (£5000 range)	Benefits in Kind £
Dr Michael Brooker	01-11-12 to 31-10-14	5-10	20-25	0
Rev Hywel Davies	01-11-12 to 31-10-15	5-10	20-25	0
Dr Madeleine Havard	01-11-12 to 31-10-15	5-10	20-25	0
Dr Ruth Hall	01-11-12 to 31-10-14	5-10	20-25	0
Mr Harry Legge-Bourke	01-11-12 to 31-10-14	5-10	20-25	0
Mr Andy Middleton	01-11-12 to 31-10-14	5-10	20-25	0
Prof Peter Matthews	01-08-12 to 30-08-15	30-35	50-55	0
Mr Nigel Reader	01-11-12 to 31-10-15	5-10	25-30 <sup>3</sup>	0
Mr Morgan Parry <sup>2</sup>	01-11-12 to 31-10-14	5-10	15-20	0
Prof Lynda Warren	01-11-12 to 31-10-14	5-10	20-25	0
Sir Paul Williams	01-11-12 to 31-10-15	5-10	25-30 <sup>4</sup>	0

<sup>1</sup> Peter Matthews was appointed from 1st August 2012. All other Board Members were in posts from 1st November 2012.

<sup>2</sup> Sadly Morgan Parry died on 4th January 2014.

<sup>3</sup> Nigel Reader is Chair of the Audit and Risk Assurance Committee.

<sup>4</sup> Paul Williams is Chair of the Remuneration Committee and the Transition Advisory Group.

## Executive Team's Remuneration

### Single total figure of remuneration

Executive Team Member	Salary <sup>1</sup> 1/11/12 to 31/3/13 (£5000 range) £000	Salary 1/4/13 to 31/3/14 (£5000 range) £000	Performance Related Payments <sup>4</sup> (£5000 range) £000	Benefits in Kind <sup>5</sup> (nearest £100) £	Pension Benefits <sup>6</sup> (nearest £1000) £	Total 2013/14 £000
Dr Emyr Roberts <sup>1</sup> (Chief Executive)	60-65	140-145	0	0	41,000	185-190
Martin Britton <sup>2</sup>	0	105-110	0	0	0	105-110
Ceri Davies	0	90-95	5-10	1,700	67,000	170-175
Elizabeth Davis <sup>3</sup>	0	105-110	0	0	80,000	185-190
Graham Hillier	0	90-95	5-10	3,300	43,000	145-150
Kevin Ingram	0	85-90	0	2,400	54,000	140-145
Tim Jones	0	85-90 <sup>7</sup>	0	2,300	194,000	280-285
Trefor Owen	0	90-95	0	0	139,000	230-235
Niall Reynolds	0	75-80 <sup>8</sup>	5-10	0	9,000	95-100
Clive Thomas	0	70-75	0	3,600	72,000	145-150
Band of highest paid Director's Total Remuneration (£000)		140-145				
Median remuneration of all staff (£)		27,370				
Remuneration Ratio		5.3				

<sup>1</sup> Emyr Roberts was appointed from 1st November 2012. All other Executive Team members were in posts from 1st April 2013.

<sup>2</sup> Martin Britton fulfils the role of Chief Information Officer on the Executive Team under contract with his employment agency until 31 December 2014. This action has been approved and supported by the Remuneration Committee, based on the exceptional circumstances involved with ICT transition and development for Natural Resources Wales. The figure reported as his salary above, represents the agency costs incurred (excluding expenses) from 1st July 2013.

<sup>3</sup> Elizabeth Davis was working as part of the Welsh Government's Living Wales Programme supporting Emyr Roberts after his appointment as Chief Executive from 1st November 2012 and on formal secondment from WG from 1 April 2013 until 31 July 2014.

<sup>4</sup> Three former Environment Agency staff were awarded contractual performance related payments during the year in respect of their performance relating to 2012/13.

<sup>5</sup> Relates to the provision of an allocated car.

6 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (contributions made by the individual). The real increases exclude increases due to inflation or any increases or decreases due to a transfer of pension rights.

7 Includes £1k sacrificed in respect of childcare vouchers and cycle to work scheme

8 Uncludes £1k sacrificed in respect of cycle to work scheme.

## 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

There is no performance related pay scheme in place for the Executive Team.

## Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the HM Revenue and Customs as a taxable emolument.

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

## Pay Multiples

Natural Resources Wales 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.

The banded remuneration of the highest paid Director in the financial year 2013/14 was between £140,000 and £145,000. This was 5.3 times the median remuneration of the workforce which was £27,370.

Total remuneration includes salary, non-consolidated performance-related pay, benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

## Pension Benefits

Executive Team member	Accrued Pension at pension age as at 31/3/14	Accrued Lump Sum at pension age as at 31/3/14	Real Increase in pension at pension age	Real Increase in Accrued Lump Sum at pension age	CETV at 31/03/14	CETV at 31/03/13	Real Increase in CETV
	£000	£000	£000	£000	£000	£000	£000
Dr Emyr Roberts (Chief Executive)	55-60	170-175	0-2.5	5-7.5	1140	1037	34
Ceri Davies	30-35	60-65	2.5-5	2.5-5	497	415	47
Elizabeth Davis	35-40	110-115	2.5-5	10-12.5	805	677	75
Graham Hillier	45-50	15-20	2.5-5	0-2.5	667	600	26
Kevin Ingram	20-25	35-40	2.5-5	2.5-5	259	213	26
Tim Jones	30-35	90-95	7.5-10	25-27.5	557	378	148
Trefor Owen	40-45	0	5-7.5	0	591	460	98
Niall Reynolds	25-30	65-70	0-2.5	(0-2.5)	512	477	2
Clive Thomas	15-20	55-60	2.5-5	7.5-10	296	233	45

## Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits 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 NRW 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, 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.

Dr Emyr Roberts  
Chief Executive & Accounting Officer

Date: 21 July 2014

## Statement of Accounting Officer's responsibilities

Paragraph 23 (1) of the Schedule to the Natural Resources Body for Wales (Establishment) Order 2012 requires Natural Resources Wales to produce for each financial year a Statement of Accounts in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Natural Resources Wales and of the income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular 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 judgments 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; and
- prepare the financial statements on a going concern basis.

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

Dr Emyr Roberts,  
Chief Executive & Accounting Officer

Date: 21 July 2014



# Governance Statement

## Scope of responsibility & Introduction

As the designated Accounting Officer for Natural Resources Wales (NRW), I am personally responsible for the governance statement. As the Accounting Officer, I am responsible for maintaining a sound system of internal control that supports the achievement of our policies, aims and objectives, whilst safeguarding the public funds and organisational assets, and putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions; this includes the establishment of arrangements for managing risk. The full scope of my responsibility is described in the Memorandum for Accounting Officer of Natural Resources Wales issued by Welsh Government.

The governance model that Natural Resources Wales operates under is set out in a Framework Document. The Framework Document has been drawn up by the Welsh Government in consultation with Natural Resources Wales. It sets out the broad framework within which we operate and details the terms and conditions under which the Welsh Ministers provide grant-in-aid.

The Framework Document has been in place since vesting day on the 1 April 2013, and is supported by the Board and Board Members Handbook, Financial and Non-Financial Schemes of Delegation, guidance provided within Managing Public Money, and other guidance received by Welsh Government.

This is my first statement for Natural Resources Wales, which is a new organisation formed through the transfer of functions previously delivered by Countryside Council for Wales, Environment Agency Wales and Forestry Commission Wales. Additionally we took on some functions previously delivered by the Welsh Government.

This reporting year has been challenging, recognising the major changes and work done for vesting day and the ongoing Change Programme in order to realise the benefits set out in the Business Case for our creation. The main focus for me and my Executive Team has been to create the foundations for our organisation. It was important that we put in place our own set of policies, process and conditions and to develop a “one organisation” culture. During this time we have progressed on work for establishing our own services and systems to allow us to operate as a standalone organisation. This is a significant piece of work, but great progress has been made and work is still ongoing.

## Governance Framework

The governance framework comprises the systems, processes, culture and values by which the organisation is directed and controlled in delivering its activities. The system of internal control is at the centre of the governance framework and is designed to manage risk to a reasonable level rather than completely eliminate all risk of failure to achieve the organisation’s policies, aims and objectives. Internal control can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to: identify and prioritise the risks to the achievement of our policies, aims and objectives; evaluate the likelihood of those risks being realised and the impact should they be realised; and manage them efficiently, effectively and economically.

The governance framework described above has been in place for the year ended 31 March 2014 and up to the date of approval of the annual report and accounts, and accords with guidance.



## The Board

The role and responsibility of the Board is to:

- Provide strategic direction and leadership, driving performance and hold the Body to account against its strategic and corporate plans
- Ensure propriety, regularity, economy, efficiency and effectiveness in the operation of the body and adherence to the 7 Principles of Public Life (the Nolan principles)
- Ensure that the Body fulfils its statutory and regulatory duties, in the light of such guidance and direction Ministers may give it.
- Be a champion for the organisation and its aims and objectives. Be a role model for both staff and stakeholders.
- Work co-operatively to build relationships with all stakeholders including Welsh Government, businesses, communities and local people, staff and their representatives.
- Demonstrate high standards of corporate governance at all times, including by using the Audit and Risk Assurance Committee (ARAC) to help the Board to address key financial and other risks.

## Governance of the Board

The Board is led by the Chairman, Professor Peter Matthews, who is accountable to the Minister. As the Chief Executive and Accounting Officer, I am an Executive member of the Board. The remainder of the Board is made up of nine non-executive members. The appointment of the Chair and the nine non-executives was conducted by Welsh Government and in accordance with the Code of Practice for Ministerial Appointments in Public Bodies.

The Board operates to the principles set out in the Code of Good Practice for Corporate Governance issued by HM Treasury. Its focus has been on the establishment of Natural Resources Wales, the successful seamless transition from its predecessor bodies, strategic direction, performance monitoring and governance. The Board has met in public six times during the year in different locations across Wales as we think it is essential that our governance is transparent, open and accessible to all. We further support this aim through proactive publication of a wide range of information regarding our work, including the papers our Board consider in advance of those meetings held in public.

The standard agenda items for the Board include updates from the Chair, Chief Executive, Committees, Board Groups, Finance, and performance delivery against the Business Plan.

The Board first met in November 2012 and was actively involved in conjunction with the Living Wales Programme and the three legacy bodies in ensuring that solid foundations were in place for vesting day with all key governance and policy arrangements agreed. These included the Business Plan 2013-14, Welsh Language Scheme, Enforcement and Prosecution Policy, Wellbeing, Health & Safety Policy Statement, Financial and Non-Financial Schemes of Delegation.

During this first year the Board has approved the Corporate Plan 2014-17, Planning and Hydro-power Policies, our approach to fisheries management, new partnership funding arrangements, an Enterprise Framework, our Equalities and Diversity Plan, People Strategy and our Customer Care Standards. The minutes, together with the agendas and papers are all available at [www.naturalresourceswales.gov.uk](http://www.naturalresourceswales.gov.uk). For Board Members' attendance record, please see Annex 3.

The Board receives regular briefings and has undertaken several site visits. All Board meetings are held in public and dates are published for the next twelve months on our Internet site.

## Board Committees

The Board has established three Sub Committees and has reviewed and agreed the terms of responsibility for each. The three committees are chaired by a Board Member and include at least two other Board Members. They are as follows:

### **Audit and Risk Assurance Committee (ARAC)**

ARAC is a standing committee of the Board. Its principal role is to advise the Board and to support the Accounting Officer. In its first year of operation it has performed a critical role in monitoring, scrutinising and challenging the arrangements in place for governance, internal controls, audit and risk management.

The committee addressed a range of issues during the year, including:

- Annual Report and Accounts 2013-14
- Risk Management, including an update on developing Business Continuity and Disaster Plans
- External and internal audit plans and reports

Nigel Reader is the Chair of ARAC and Dr Ruth Hall and Andy Middleton are members; as Accounting Officer, I attend every meeting.

### **Remuneration Committee (REMCOM)**

REMCOM is a standing committee of the Board. It considers matters relating to the pay and conditions of employment of our most senior staff and the overall pay strategy for all staff employed by Natural Resources Wales. The Committee also operates as the Transition Advisory Group (TAG) to monitor and review all transition issues, including the realisation of the benefits in the business case.

The committee addressed a range of issues during the year, including:

- Change Programme updates
- The creation of the Director of External Relations and Communications post
- A new portfolio for the Director of Governance
- Development with regards to our People Strategy

Sir Paul Williams is the Chair of REMCOM and TAG, and Nigel Reader, Rev Hywel Davies, Dr Mike Brooker and Dr Ruth Hall are members.

## Protected Areas Committee

The Board has delegated its statutory responsibilities in relation to objections to the notification and de-notification of Sites of Special Scientific Interest to the Protected Areas Committee. The Committee will also support the Executive and full Board by providing advice on wider protected area issues and strategic casework.

The committee confirmed the designation of a site a Site of Special Scientific Interest (SSSI).

Andy Middleton is the Chair, with Prof Lynda Warren, Dr Mike Brooker and Harry Legge-Bourke as members.

## Flood and Coastal Risk Management Committee

The Board has input and a role within Flood and Coastal Risk Management Wales Committee. This Committee, although not a standing committee of the main Board, fulfils a number of statutory flood risk management functions of Natural Resources Wales in accordance with Section 106 of the Water Resources Act 1991. The Chairman is independently appointed by Welsh Ministers and this post is currently held by Mr Deep Sagar. The Committee members are appointed either by Welsh Ministers or by Natural Resources Wales.

Dr Madeleine Havard is a member of this Committee.

## Board Groups

The Board has also approved the establishment of Board Groups, which are informal sub-groups of the Board which focus on specific technical areas. The groups are:

- Environment
- Communities
- Economy and Enterprise
- Knowledge

Board Groups provide an opportunity for Board Members to contribute to the development of work at an early stage. They also enable the Executive to keep Board Members informed about developments in specific areas of the business.

We have also established a number of Groups of Board members to advise the Executive on a number of areas of work on a 'task & finish' basis.

Finally, a number of our Board Members have a 'Champion' role within the Board.

## Board Performance

The Board conducted its first annual assessment at the end of this year, through a self assessment questionnaire. The questionnaire is broadly based on the National Audit Office Unlocking your Board's full potential - Board Evaluation Questionnaire and has been produced with guidance from HM Treasury's Corporate Governance in Central Government Departments: Code of Good Practice.

A facilitated session will be held in September to review the results, the outcome of which will inform an improvement plan consistent with our values as a learning organisation. The results will also be used to benchmark ourselves against future evaluations.

The Chairman has also conducted year-end performance appraisals for each Board Member, which will be used to inform future individual developments plans and future Board decisions.

The Audit and Risk Assurance Committee (ARAC) also conducted an annual review of its effectiveness via the completion of a questionnaire based on a checklist produced by the National Audit Office, the criteria for which are largely derived from HM Treasury's Audit Committee Handbook. The summarised results formed the basis for a facilitated workshop by

Wales Audit Office in February 2014. Overall, the ARAC was considered to be effective, with the majority of key arrangements and processes in place. However, it was recognised and agreed that further minor improvements to arrangement would raise overall effectiveness and these are in hand to be implemented.

## Executive Governance

The day to day management is delivered and ensured through the Executive Team. The Executive Team is chaired by me as Chief Executive and comprises eight Executive Directors and Directors. We formally convene on a three weekly cycle, and conduct the following types of meetings:

- Executive Business Meeting – Deals with current and emerging issues, reviewing the corporate risk register and ensuring that adequate mitigating actions are put in place to manage the risk to an acceptable level.
- Executive Strategy & Policy Meeting – To determine strategy for the organisation and to recommend new policy positions to the Board
- Executive Change Programme Meeting – discuss and receive updates on emerging issues and successes with regards to the Change Programme, to build the successful foundations of our organisation.

Each Directorate works to its own Directorate Delivery Plan, which are linked to corporate targets and outcomes within the Business Plan. These are reviewed on monthly basis and feeds into the Corporate Performance Dashboard, which is reported to the Board and Welsh Government three times a year.

## Risk Management

The Board is responsible for overseeing the implementation of the risk management policy and process. The Risk Management Policy approved during the year, is based on HM Treasury guidance for managing risks, the key objective is to ensure that we have a consistent approach to identifying, measuring, controlling, monitoring and reporting risks.

Risk are identified, evaluated and managed at a number of different levels:

- The Board is responsible for managing corporate risks, which may adversely effect the achievement of strategic objectives. The corporate risk register is reviewed and updated as appropriate on at least a quarterly basis by the Executive Team and is a standing agenda item for ARAC. The Board retains ownership of the key corporate risks, but uses ARAC to exercise scrutiny over our risk management processes, as well as to drill-down into specific risks and issues.
- Each Executive Director and Director is responsible for managing their Directorate risks, which may adversely effect the achievement of their targets and outcomes as set out in their Directorate Delivery Plan. They are reviewed regularly and updated as appropriate.
- Risk Registers are in place for major projects and programmes and are reviewed at regular project and programme meetings.

As part of the risk management process in place, the key risks that were identified and managed during the year was achievement of the Business Case benefit realisation for the creation of NRW, transitional risk with regards to the Change Programme given the scope and scale of the work required, responding to the spread of the *Phytophthora ramorum* tree disease, ensuring the successful transfer of the function of the Internal Drainage Board and the management of stakeholder engagement and expectation.

As well as periodic sight of the corporate risk register, and regular reports on risk from ARAC, the Board debates the risk aspects of the various strategic and business items on its meeting agenda.

The articulation of risk appetite is a development area for the Board in 2014-15, as is the further development of the risk management strategy and the awareness raising and embedding in of risk management.

## Information Assurance

We are committed to ensuring data and information is well governed and managed. We recognise that there is further work to be undertaken to ensure that we have adopted the right balance between transparency and openness and necessary information security on occasions. During the year we have appointed a member of the Executive Team as our Senior Information Risk Owner and we have concentrated our efforts on identifying all our information assets and ensuring that we had identified Data Custodian for the interim period.

We have proposals in place to progress further with this work during 2014-15 as outlined in our Knowledge Management Strategy, they include:

- Identifying Information Asset Owner.
- Developing and delivering appropriate training.
- Formalising responsibilities and processes throughout this area of work.

During the year no data loss incidents have been reported.

## Effectiveness of Internal Control

As Accounting Officer I have responsibility for reviewing the effectiveness of internal control. This review is informed by the Executive Directors, Directors and Leadership Team, who are responsible for development and maintenance of the internal control framework. It is supported by the work of Internal Audit, comments made by Wales Audit Office in their Management Letter, other external reviews such as the Gateway Review of the Change Programme. I also take assurance from the scrutiny and oversight exercised by ARAC, who report routinely to the Board after every meeting and whose opinion on assurance is set out in the ARAC's Annual Report.

The Executive Directors and Directors have been required to complete an Internal Control Checklist questionnaire, which is supported by the signing-off of a Certificate of Assurance. It required them to make an evidence based assessment about the adequacy of the control framework in place, highlighting areas that require strengthening and where we need to ensure improvement action plans are instigated, if not already in hand.

Overall the results were positive, providing assurance on controls working effectively in the majority of areas fully or partially throughout the year. The key themes were the recognition that we are still very much in transition and are reliant on legacy policies and processes, but I am assured that good progress is being made via the Change Programme towards harmonisation. As part of establishing our foundations, we have developed policies for complaint handling, managing conflicts of interest, whistle-blowing and customer care standards.

Additionally, we have approved the designing and rolling out of a mandatory corporate governance and good governance awareness session for 2014-15, which will cover the following areas:

- Probity in public life and code of conduct
- Managing Conflicts of Interest
- Gifts & Hospitality
- Complaint Handling Process
- Customer Service Standards
- Fraud Reporting and Whistle-blowing Awareness
- Access to Information (FOI, EIR, DPA)
- Information Security

During the year the Change Programme was subject an external Gateway Review and we were content with the Amber rating, given the scale and complexity of the programme. We have implemented and acted upon all the recommendations made by the review.

NRW also provides grant funding to third parties. Grant claims are monitored against agreed deliverables and eligible costs, which are evidenced by transaction lists of actual spend, progress reports and site visits where necessary.

Internal Audit is currently undertaking a review of the governance, risk management and control arrangements in place over the payments of grants. This work is still in progress, though the Internal Audit team has identified control weakness in some areas and a lack of central coordination and guidance of grant payments and scheme monitoring. In parallel with the ongoing audit work, the Partnership Funding Programme Board has been working to tackle these issues. NRW's strategic approach to partnership funding was presented to the Board for approval in April 2014, and further work is underway to establish grants governance and financial processes.

During the year we have established an in-house Internal Audit Team, which is supported by legacy audit arrangements from Forestry Commission, Environment Agency and Denbighshire County Council, who provided audit services to the Countryside Council for Wales. The audit service has operated to standards defined in the Public Sector Internal Standards. An audit plan for the year was approved and the Head of Audit and Risk Assurance submits regular reports to ARAC on the progress in implementing the plans. He also prepares an annual independent audit opinion on the adequacy and effectiveness of the system of internal control. I regularly meet with him to discuss current work or any specific issue of concern.

The opinion of the Head of Audit and Risk Assurance, as set out in his annual assurance report is:

*“Based on my understanding of the nature of the overall control environment operating within Natural Resources Wales and the work done in assessing this, I can give a **Moderate** level of assurance that the control framework for Natural Resources Wales is operating effectively.*

*“A Moderate level of assurance is the second level of assurance out of four possible ratings, and is defined as ‘some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control’.”*

## Significant Governance or Control Issue

During the year the Welsh European Funding Office (WEFO) – Project Inspection and Verification Team carried out an On-the-spot verification visit to NRW as the lead sponsor of the Welsh European Funded Communities and Nature Project. The review identified several areas of concern in the monitoring and control of the project, which resulted in forty recommendations being made.

NRW is actively working to implement the recommendations, many of which have already been completed.

Dr Emyr Roberts,  
Chief Executive & Accounting Officer

Date: 21 July 2014



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

# FINANCIAL STATEMENTS and NOTES TO THE ACCOUNTS

for the period  
19 July 2012 to 31 March 2014



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## Statement of Comprehensive Net Expenditure

For the period ended 31 March 2014

	Note	£'000
<b>Expenditure</b>		
Staff costs	3.1	80,250
Capital works expensed in year	4	18,994
Other expenditure	5	99,705
		<hr/> 198,949
<b>Income</b>		
Income from activities	6	(58,938)
EU income	6	(6,200)
EU income on behalf of third parties	6	(3,426)
Other Income	6	(138)
		<hr/> (68,702)
<b>Net expenditure</b>		<hr/> <b>130,247</b> <hr/>
Financing on pension scheme assets and liabilities	21.3	1,932
<b>Net operating cost</b>		<hr/> <b>132,179</b> <hr/>
<b>Other comprehensive expenditure</b>		
Net gain from transfer of functions		(570,040)
Actuarial loss on pension scheme	21.3	3,898
<b>Revaluation</b>		
Net loss on revaluation	7.1& 8	344
Net gain on revaluation on biological assets	7.3	(22,308)
<b>Total comprehensive net expenditure for the period</b>		<hr/> <b>(455,927)</b> <hr/>

The notes on pages 46 to 81 form part of these accounts.

## Statement of Financial Position

As at 31 March 2014

		31 March 2014
	Note	£'000
<b>Non-current assets</b>		
Property plant and equipment	7.1	610,539
Heritage assets	7.2	6,432
Biological assets	7.3	100,051
Intangible assets	8	6,727
Financial assets	9.1	260
Trade and other receivables	12	135
<b>Total non-current assets</b>		<u>724,144</u>
<b>Current Assets</b>		
Assets held for sale	10	204
Inventories	11	411
Trade and other receivables	12	19,190
Cash and cash equivalents	13	15,111
<b>Total current assets</b>		<u>34,916</u>
<b>Total assets</b>		<u><b>759,060</b></u>
<b>Current liabilities</b>		
Trade and other payables	14	(14,854)
Provisions	15	(1,683)
<b>Total current liabilities</b>		<u>(16,537)</u>
<b>Assets less current liabilities</b>		<u><b>742,523</b></u>
<b>Non-current liabilities</b>		
Trade and other payables	14	(2,858)
Provisions	15	(411)
Pension liabilities	21.3	(49,200)
Financial liabilities	9.2	(39,942)
<b>Total non-current liabilities</b>		<u>(92,411)</u>
<b>Assets less liabilities</b>		<u><b>650,112</b></u>
<b>Taxpayers' equity</b>		
<b>Reserves</b>		
Revaluation reserve	SoCTE	511,056
Pensions reserve	SoCTE	(49,200)
General fund	SoCTE	188,256
<b>Total taxpayers' equity</b>		<u><b>650,112</b></u>

The notes on pages 46 to 81 form part of these accounts.

Dr Emyr Roberts,  
Chief Executive & Accounting Officer

Date: 21 July 2014

## Statement of Cash Flows

For the period ended 31 March 2014

		1 April 2013 transfer	In year movement	Total
	Note	£'000	£'000	£'000
<b>Cash flows from operating activities</b>				
Net operating cost	SoCNE	0	(132,179)	(132,179)
Adjustment for non-cash items relating to non-current assets		202	13,881	14,083
Adjustment for non-cash pension scheme financing		0	2,470	2,470
(Increase)/Decrease in assets held for sale	10	(273)	69	(204)
(Increase)/Decrease in inventories	11	(808)	397	(411)
(Increase)/Decrease in trade and other receivables	12	(13,288)	(5,902)	(19,190)
Increase/(Decrease) in trade and other payables	14	15,481	(627)	14,854
Increase/(Decrease) in provisions	15	973	710	1,683
Increase/(Decrease) in financial liabilities	9	39,912	30	39,942
Adjustment for Transfer of current assets, receivables and payables		(42,199)	0	(42,199)
<b>Net cash flow from operating activities</b>		<b>0</b>	<b>(121,151)</b>	<b>(121,151)</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	7.1	0	(11,013)	(11,013)
Purchase of heritage assets	7.2	0	(18)	(18)
Purchase of intangible assets	8	0	(1,909)	(1,909)
Proceeds on disposal of property, plant and equipment		0	201	201
<b>Net cash outflow from investing activities</b>		<b>0</b>	<b>(12,739)</b>	<b>(12,739)</b>
<b>Cash flows from financing activities</b>				
Cash receipt on transfer of functions	13	10,314	0	10,314
Revenue Grant in Aid from Welsh Government	SoCTE	0	114,685	114,685
Other grants from Welsh Government	SoCTE	0	169	169
Capital Grant in Aid from Welsh Government	SoCTE	0	23,833	23,833
<b>Net Financing</b>		<b>10,314</b>	<b>138,687</b>	<b>149,001</b>
<b>Net increase in cash and cash equivalents in the period</b>		<b>10,314</b>	<b>4,797</b>	<b>15,111</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>10,314</b>	<b>4,797</b>	<b>15,111</b>

The notes on pages 46 to 81 form part of these accounts.

## Statement of Changes in Taxpayers Equity

For the period ended 31 March 2014

	General Fund	Revaluation Reserve	Pension Reserve	Total
	£'000	£'000	£'000	£'000
<b>Opening Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Statement of Comprehensive Net Expenditure</b>				
Transfer of functions	570,040	0	0	<b>570,040</b>
Net operating costs	(132,179)	0	0	<b>(132,179)</b>
Actuarial loss on pension scheme	(3,898)	0	0	<b>(3,898)</b>
Net loss on revaluation	(344)	0	0	<b>(344)</b>
Revaluations- biological assets	22,308	0	0	<b>22,308</b>
<b>Total transfer from SoCNE</b>	<b>455,927</b>	<b>0</b>	<b>0</b>	<b>455,927</b>
<b>Changes to transfers of functions</b>				
Adjustments to non current assets	270	(412)	0	<b>(142)</b>
Pension liability	(4,832)	0	0	<b>(4,832)</b>
Adjustment for deferred income	(1,945)	0	0	<b>(1,945)</b>
<b>Total Changes to transfers of functions</b>	<b>(6,507)</b>	<b>(412)</b>	<b>0</b>	<b>(6,919)</b>
<b>Harmonisation of accounting policies</b>	<b>1,509</b>	<b>(2)</b>	<b>0</b>	<b>1,507</b>
<b>Transfers between reserves</b>				
Opening pension reserve	38,000	0	(38,000)	<b>0</b>
Opening revaluation reserve	(452,587)	452,587	0	<b>0</b>
<b>In Year Movement</b>				
In year revaluation	1,326	59,584	0	<b>60,910</b>
Realised revaluation	701	(701)	0	<b>0</b>
Increase in pension liability	11,200	0	(11,200)	<b>0</b>
<b>Funding</b>				
Revenue Grant in Aid from Welsh Government	114,685	0	0	<b>114,685</b>
Other grants from Welsh Government	169	0	0	<b>169</b>
Capital Grant in Aid from Welsh Government	23,833	0	0	<b>23,833</b>
<b>Balance at 31 March 2014</b>	<b>188,256</b>	<b>511,056</b>	<b>(49,200)</b>	<b>650,112</b>

The notes on pages 46 to 81 form part of these accounts.

General fund - reflects the cumulative position of net expenditure and funding from Welsh Government, together with the net value of assets and liabilities transferred to Natural Resources Wales on 1 April 2013.

Revaluation reserve - reflects the cumulative balance of revaluation and indexation of non-current assets.

Pension reserve - reflects the cumulative position of the net assets or liabilities of the pension scheme.

# Notes to the financial statements

## 1. Accounting policies

The period being reported is from 19th July 2012 to 31st March 2014. The assets and liabilities of the three legacy bodies, Countryside Council for Wales, Environment Agency Wales and Forestry Commission Wales were transferred into Natural Resources Wales on 1st April 2013. The assets and liabilities are shown as being transferred in within the period of the Accounts.

Under FReM guidance, absorption accounting principles apply to the transfer. NRW had no opening balances on 19 July 2012 and comparatives are not required for the first accounting period for Natural Resources Wales from 19 July 2012 to 31 March 2014.

### 1.1 Basis of accounting

The financial statements have been prepared in accordance with paragraph 23(1) of the Natural Resources Body for Wales (Establishment) Order 2012.

The accounting policies contained in the Financial Reporting Manual (FReM), apply International Financial Reporting Standards (IFRS) adapted and interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Natural Resources Wales for the purpose of giving a true and fair view has been selected. The particular policies adopted by Natural Resources Wales are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

FReM suggests the analysis of costs and income to Administration and Programme. As Natural Resources Wales does not receive its Grant in Aid from Welsh Government on this basis we are unable to follow the suggested format.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amount of income and expenditure. All estimates are based on knowledge of current facts and circumstances, assumptions concerning past events and forecasts of future events and actions.

Details of significant judgments that management have made in the process of applying the Natural Resources Wales's accounting policies are provided below. Where appropriate, the relevant notes to the accounts provide further detail on estimation techniques. Actual results may differ from these estimates.

- Estimates for provisions (Note 15) are informed by the outcome of previous and relevant events such as legal cases.
- Pension liabilities (Note 21) are one of the most significant areas of judgement and therefore the specific factors behind the judgements are assessed by independent and qualified actuaries and are based on factors such as life expectancy, age of scheme members, prevailing interest and inflation rates and projected returns on invested funds.
- Accrued and deferred income (Note 6.1 and Note 14) have been included for fees and charges balances where there is a surplus or deficit. These have been included due to the fact that charging schemes are required to break even over a reasonable period of time.

- Other specific areas of judgement include the determination of useful economic lives of assets that form the basis of periods over which property, plant and equipment is depreciated (Note 7) and intangible assets are amortised (Note 8). In addition judgment is used in the determination of the impairment of property, plant and equipment and intangible assets and the categorisation of assets as tangible or capital works expensed in year (Note 4).

## 1.2 Accounting convention

These accounts have been prepared on an accruals basis, under the historical cost convention, modified to account for the revaluation of property, plant and equipment apart from vehicles, and intangible assets. The accounts are based on the going concern principle.

## 1.3 Income, costs and grants

### 1.3.1 Income and expenditure

Income disclosed in the accounts represents revenue, exclusive of Value Added Tax (VAT), received and receivable during the accounting period in respect of the functions undertaken by Natural Resources Wales.

The 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 for applications and ongoing subsistence. Income also arises from the sale of timber, recreational activities and the issuing of licences to permit activities, such as fishing in controlled waters or the navigation of boats and other craft on designated rivers. Income is recognised on an accruals basis and the amounts are recorded at fair value.

Costs disclosed in the accounts represents expenditure, exclusive of VAT, paid and payable during the accounting period in respect of the functions undertaken by Natural Resources Wales.

### 1.3.2 Grant-in-Aid

Grant-in-Aid receipts, whether revenue or capital in nature, for activities in Wales are treated as financing received from a controlling party, giving rise to a residual financial interest. In accordance with the FReM, other grants from Welsh Government are similarly treated as financing received from a controlling party. These receipts are credited directly to the general fund.

### 1.3.3 Grants and contributions

Other grants that relate to specific capital expenditure that have conditions attached to the asset are treated as deferred grants and contributions. They are credited to the Statement of Comprehensive Net Expenditure over the period where the condition relating to the asset remains effective and this period will not exceed the asset's useful economic life. The specific conditions are as follows:

- i. If the grant is provided on condition of construction of an asset, the grant is only repayable if the asset is not constructed; therefore the income is recognised over the period of construction of the asset.
- ii. If the grant is provided on condition of construction of the asset and also imposes a condition on the condition of the asset over its useful life, the income is recognised over the useful economic life of the asset. The method of apportioning the amortisation each year depends on the contract terms associated with each grant receipt.

Natural Resources Wales has received no grants where these conditions have been imposed. Therefore all grant contributions received have been recognised as income within the Statement of Comprehensive Net Expenditure.

## 1.4 Capitalisation

The threshold for capitalising assets is £5,000. Assets costing less than £5,000 are charged to the Statement of Comprehensive Net Expenditure in the year of purchase. Capitalisation of individual items costing less than £5,000 can be grouped as one asset when purchased together 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, i.e. if it is probable that economic benefits will flow to Natural Resources Wales and the cost of the expenditure can be reliably measured.

## 1.5 Capital works expensed in year

Capital works expensed in year (CWEIY) is expenditure which is capital in nature but Natural Resources Wales does not retain the related risks and rewards or cannot reliably estimate the useful life of the asset. This includes items such as flood assets built on land which is not owned by Natural Resources Wales, where Natural Resources Wales has permissive powers, as well as assets where it is not possible to check for impairment so it is more prudent to write the asset off in year, for example improving embankments.

## 1.6 Property, plant and equipment

Legal ownership of the forest estate is vested with Welsh Government. Legal ownership of timber, including uncut trees is vested in Natural Resources Wales. All other tangible fixed assets are vested in Natural Resources Wales.

### 1.6.1 Forest estate

Forested areas comprise land (including land improvements) and growing timber. Elements of growing timber fall within the definition of biological assets as set out in International Accounting Standard (IAS) 41 (Agriculture) and details of the accounting policy are set out below. One requirement of IAS 41 is to separately value land and the biological asset growing on it. As a result, the forest estate consists of all woodland areas and timber falling outside the definition of a biological asset. Elements of the valuation and therefore the accounting for these assets rely on estimation techniques and these are detailed under Note 1.20.

Forest estate land is shown at fair value and excludes the value attributable to any trees growing on that land. External professional valuers undertake a full external professional valuation of forest estate land at five yearly intervals. Smiths Gore Chartered Surveyors were appointed as valuers for the last full valuation as at 31 March 2013. In accordance with the Royal Institution of Chartered Surveyors (RICS)'s Appraisal and Valuation Standards (the Red Book), the forest estate land is valued under the existing use or fair value models as appropriate for obtaining a fair value. In the intervening years between professional valuations, custom indices are used to restate land values. The indices were provided by Smiths Gore. Natural Resources Wales and its external professional valuers have developed processes, including key assumptions, which produce a reasonable estimate of a compliant valuation.

Trees falling outside the definition of biological assets are shown at fair value. External professional valuers undertake a full external professional valuation at five yearly intervals. As detailed above, the valuation is carried out by Smith Gore Chartered Surveyors in accordance with RICS' Red Book under the existing use or fair value models as appropriate for obtaining a fair value. In the intervening years between professional valuations an indexation exercise is carried out by Smiths Gore Chartered Surveyors.



### 1.6.2 Lake Vyrnwy Joint Afforestation Scheme

Natural Resources Wales operates a joint afforestation scheme with Severn Trent Water (STW) in the Lake Vyrnwy area of the forest estate. Natural Resources Wales manages this area of forest. Income is received and costs incurred by Natural Resources Wales. An annual payment of 50% of the operating surplus for the Lake Vyrnwy estate is paid to STW. Natural Resources Wales shows the value of 50% of the growing trees for this area of forest in the Statement of Financial Position, split between forest estate and biological assets. The value of the underlying land (which remains STW's property) is not included.

### 1.6.3 Land and buildings

Land and buildings (including dwellings) are valued at fair value, on the basis of open market value for existing use and are subject to independent professional revaluation in accordance with the RICS valuation standards every five years.

In between professional revaluations, values are indexed annually using an appropriate index under the modified historical cost convention. Adjustments arising from revaluations are taken to the revaluation reserve until the balance in respect of that non current asset is used up, after which 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. The statement includes the accounting for finance leases.

### 1.6.4 Plant and Machinery

Plant and Machinery are valued at fair value on the basis of open market value. Plant and Machinery excluding vehicles are indexed annually using an appropriate index under the modified historical cost convention. Adjustments arising from revaluations are taken to the revaluation reserve until the balance in respect of that non current asset is used up, after which 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. The statement includes the accounting for finance leases.

### 1.6.5 Information Technology

Information technology equipment is valued at fair value on the basis of open market value. Information technology equipment is indexed annually using an appropriate index under the modified historical cost convention. Adjustments arising from revaluations are taken to the revaluation reserve until the balance in respect of that non current asset is used up, after which 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.

### 1.6.6 Operational Structures

Operational structures are used in Natural Resources Wales's service delivery and are specific in nature, location or function. It is not possible to revalue these assets effectively using market comparatives or professional valuations. These assets are held in the Statement of Financial Position at depreciated replacement cost and are indexed annually using an appropriate index. Typically these assets include flood defence works, such as barriers, pumping stations and flood risk management landholdings, and water resource assets such as telemetry stations and boreholes.

### 1.6.7 Assets under construction

All tangible non-current assets under construction and not in operation at the year-end are capitalised as a non-current asset under construction. They are carried at cost and transferred to the appropriate non-current asset category when completed and ready for use. No depreciation is recognised until the non-current asset is brought into use.

## 1.6.8 Depreciation

Forest estate land, together with the value of trees, is not depreciated.

Land is not depreciated, unless it forms an essential element of an operational structure and it significantly changes its nature. There are only a small number of land assets that fall into this category and they mainly relate to our habitats work. These assets are being depreciated to net realisable value over the life of an operational structure including the land that is being used, as the land is not able to be separated from the rest of the asset.

Heritage land, non-current assets under construction and assets classified as held for sale are not depreciated.

Depreciation is calculated so as to write off the value of a tangible non-current asset on a straight line basis over the expected useful economic life of the asset concerned. Depreciation is not charged in the month of disposal or in the month of purchase.

Plant and machinery are shown with modified historic cost and depreciated accordingly. Vehicles shown in the plant and machinery category are depreciated on a reducing balance basis at a rate of 21%.

The principal economic lives used for depreciation purposes are:

<b>Asset category</b>	<b>Principal economic life</b>
Operational structures	5 - 100 years
Buildings and dwellings	10 - 60 years
Plant and machinery	4 - 25 years
Information technology	3 - 10 years

The range in the economic lives reflects the wide range in categories of assets within the asset types. Transferred in assets continued with the lives they were assigned within their legacy bodies which may differ from the lives shown above

The depreciation is charged to the Statement of Comprehensive Net Expenditure. Asset lives are reviewed annually.

## 1.7 Heritage assets and biological assets

### 1.7.1 Heritage assets

Assets classified as heritage assets are land in designated conservation areas and are held in support of one of the primary aims of increasing knowledge, understanding and appreciation of the Welsh natural environment. Because of the diverse nature of the land held and the lack of comparable market values, Natural Resources Wales considers that obtaining external valuations would involve disproportionate cost. Heritage assets are therefore held at cost. Acquisitions are normally made by purchase or donation. Purchases are recorded at cost and donations are recorded at a current valuation ascertained by a Natural Resources Wales land agent.

Preservation costs (expenditure which is required to preserve the heritage land) are recognised in the Statement of Comprehensive Net Expenditure when they are incurred.

Heritage assets are not revalued or depreciated.

Further information on heritage land can be found in Note 7.2.

### 1.7.2 Biological Assets

Under IAS 41 (Agriculture), forest held primarily for economic purposes (in support of the Welsh Government's objective of making a positive contribution to a thriving and sustainable Welsh economy) must be classified as a biological asset and other areas as 'property, plant and equipment' (PPE). Natural Resources Wales's estate is held for social, environmental, climate change and economic objectives, and so a broad assessment must be made of the proportion primarily held for economic purposes. The percentage split of the Natural Resources Wales Forest Estate is currently 26% for biological assets and 74% for PPE.

Biological assets comprise standing trees and are measured at fair value less estimated point-of-sale costs, except where fair value cannot be measured reliably. External professional valuers undertake a full external professional valuation at five yearly intervals. As detailed in 1.6.1 above, the valuation is carried out by Smiths Gore Chartered Surveyors, in accordance with RICS' Red Book under the existing use or fair value models as appropriate for obtaining a fair value. In the intervening years between professional valuations, custom indices are used to restate land values. Revaluation gains and losses are recognised in the Statement of Comprehensive Net Expenditure in the year of revaluation.

## 1.8 Intangible Assets

Intangible assets with a value exceeding £5,000 are initially recorded at cost and are then revised annually through the use of suitable indices to fair value, reflecting depreciated replacement cost. Amortisation is calculated so as to write off the value of intangible assets on a straight line basis over the expected useful economic lives of the assets concerned.

The principal economic lives used for amortisation purposes are:

<b>Asset category</b>	<b>Principal economic life</b>
Software licences	5 - 25 years
Internally developed software	3 - 10 years

### 1.8.1 Research and development costs

Costs are classified as relating to either research or to development phases. Expenditure on research is not capitalised and is written off to the Statement of Comprehensive Net Expenditure as incurred, due to the inherent uncertainty surrounding the economic benefit resulting from it. Development expenditure is capitalised and written off over the useful life of the asset on fulfilment of the criteria noted in IAS 38 (Intangible Assets). Internally generated assets are recognised as assets under construction at cost and not revalued or depreciated until the completed asset is brought into service.

## 1.9 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. 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. They are recorded as current assets in the Statement of Financial Position.

Non-current assets are only deemed to be assets held for sale if management is committed to a plan to sell and if the asset is being actively marketed in its present condition at a price which is reasonable in relation to its current condition.

## 1.10 Revaluation reserve

The revaluation reserve shows the gains made by the Natural Resources Wales arising from increases in the value of property, plant, equipment and intangible 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 assets and that which would have been charged if the assets were shown at cost is transferred from the revaluation reserve to the general fund.

### 1.11 Impairment

Non current assets are subject to annual impairment reviews. Impairments are recognised when the recoverable amount of non-current assets falls below their carrying amount, as a result of either a fall in value owing to market conditions or a loss in economic benefit.

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 the effect of downward revaluation is 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.

In line with the FReM, any loss of economic benefit is recognised in full against expenditure. An amount to the value of the impairment is transferred from the revaluation reserve to the general fund for the individual assets concerned.

### 1.12 Inventory

Inventory consists of felled timber stocks and is valued at the lower of cost and net realisable value. The net realisable value is based on estimated selling prices, less further costs expected to be incurred to completion and disposal.

### 1.13 Accrued and deferred income

Accumulated surpluses and deficits relating to water resources and other 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 there is an expectation that the balances are recoverable over a reasonable period of time. The balances are considered when setting future years' fees and charges, to enable a break even position to be achieved over a reasonable time period, which is currently considered to be three years.

Deferred income includes the environmental improvement unit charges received from abstractors, to be used to fund compensation payments for the variation or revocation of abstraction licences. This change in licence conditions requires approval from the Welsh Government and the charges are used to reduce the environmental damage caused to watercourses through abstracting too much water. Balances are retained for water companies and non-water companies. Charges are only raised where compensation has been assessed as likely to be paid in the future. Abstractors were charged an environmental improvement unit charge (EIUC) in addition to the standard unit charge (SUC)

The water resources balance at 31 March 2014 was:

<b>SUC balance</b>	<b>EIUC balance for water companies</b>	<b>EIUC balance for non-water companies</b>	<b>Total</b>
£'m	£'m	£'m	£'m
(2.2)	-	(1.3)	<b>(3.5)</b>

Natural Resources Wales uses the money raised from this charge exclusively to make compensation payments so any remaining balances at year end are carried forward to meet future compensation payments. The balances arise because we have to collect sufficient funds to pay the compensation before revoking or varying a licence.

### 1.14 Leases

A finance lease is one which transfers substantially all the risks and rewards of ownership to the lessee. An operating lease is a lease other than a finance lease. They are assessed using the criteria as laid down in IAS 17 (Leases).

The determination of whether an arrangement is, or contains, a lease is based on the substance of that arrangement. This assessment is based on whether the arrangement is dependent on the use of a specific asset and conveys the right to use the asset. Where substantially all risks and rewards of ownership of a leased asset are borne by Natural Resources Wales, the arrangement is treated as a finance lease.

Costs relating to operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the lease term. Lease incentives (such as a rent free period) are recognised as a reduction of the rental expense over the lease term on a straight line basis. Lease premiums are amortized over the lease term.

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset or the present value of the minimum lease payments. A corresponding debt is recorded to the lessor represented by the minimum lease payments over the unexpired term of the lease. Where it is not possible to determine the interest rate implicit in the lease, discounting is on the basis of rates directed by HM Treasury.

Assets held under finance lease are depreciated over the shorter of the useful life of the asset or the term of the lease.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other payables. The interest element of the finance cost is charged to the Statement of Comprehensive Net Expenditure over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

### 1.15 Provisions

Natural Resources Wales provides for obligations arising from past events where there is a present obligation at the date of the Statement of Financial Position, it is probable that we will be required to settle the obligation and a reliable estimate can be made.

Natural Resources Wales makes all appropriate provisions where these meet the definition within IAS 37 (Provisions, Contingent Liabilities and Contingent Assets). Where material the future costs of provisions are discounted using the rates directed by HM Treasury. Details of rates used are given in Note 15.

A provision is shown in the accounts as a liability for outstanding claims under grant offers made to partners to support work completed up to 31 March 2014. The provision is based on the claims due to be received in the first three months of the new financial year in respect of work done in the previous year, adjusted where it is known that the work was not completed at 31 March 2014.

### 1.16 Contingent liabilities

Natural Resources Wales discloses possible obligations arising from past events where the outcome is based on uncertain future events. Disclosure is made where it has a present obligation that is not probable or cannot be measured reliably.

### 1.17 Contingent assets

Natural Resources Wales discloses possible assets arising from past events whose existence will only be confirmed by uncertain future events not wholly within its control. There were no contingent assets at 31 March 2014

## 1.18 Financial instruments

### 1.18.1 Financial assets and liabilities

Natural Resources Wales classifies loans, receivables and assets available for sale as financial assets. Financial liabilities are any contractual obligations to deliver cash or financial assets to a third party. Management determines the classification of financial assets and liabilities at the time that they are initially identified.

### 1.18.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Loans and receivables are initially recognised at fair value and subsequently held at amortised cost using the effective interest method. Fair value is usually the original invoiced amount.

### 1.18.3 Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale. They are initially recognised at fair value and subsequently re-measured to fair value at each Statement of Financial Position date. Any increase due to changes in fair value is recognised in reserves.

### 1.18.4 Financial liabilities

Financial liabilities are recognised initially at fair value and are subsequently held at amortised cost using the effective interest method. Financial liabilities are derecognised when the obligation has expired.

Natural Resources Wales holds certain financial instrument liabilities as a result of Reservoir Operating Agreements with a number of water companies entered into at their privatisation. These liabilities are treated as perpetuities and recorded in the Statement of Financial Position at amortised cost. The annual payments arising from these liabilities increase annually in line with retail price index (RPI).

Natural Resources Wales is exposed to the risk of changes in the rate of inflation. The RPI rate has fluctuated significantly over the life of these financial liabilities. The average rate over the 26 years since 1989 is 3%, however the range in this period is between 9% and 1%. This is a macro-economic risk that Natural Resources Wales cannot itself manage in any way. However Natural Resources Wales is able recover the full cost of reservoir operating agreements through its charges for water abstraction.

### 1.18.5 Embedded derivatives

Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. Where the economic characteristics and risks of the embedded derivatives are not closely related to those of the contract, and the host contract itself is not carried at fair value through profit or loss, the embedded derivative is separated and reported at fair value with gains and losses being recognised in the Statement of Comprehensive Net Expenditure. Natural Resources Wales has carried out a review of its contracts and has determined that, as at 31 March 2014, it had no arrangements meeting the criteria to require separation.

### 1.18.6 Impairment of financial assets

Natural Resources Wales assesses at each Statement of Financial Position date whether there is objective evidence that financial assets are impaired as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the Statement of Financial Position date. It also considers whether any loss event has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

## 1.19 Employee benefits

Natural Resources Wales is a member two pension schemes. The Principal Civil Service Pension Scheme is an open scheme for former Countryside Council for Wales and Forestry Commission Wales staff, and for new members of staff. Natural Resources Wales is a closed member of the Environment Agency's pension fund (a Local Government pension fund) under a community admission agreement for former Environment Agency Wales staff.

### 1.19.1 Pensions

For the former Countryside Council for Wales and Forestry Commission Wales staff, the employers' contributions are payable to the Principal Civil Service Pension Scheme at one of four rates as set out below, based on salary bands.

<b>Salary Band (£)</b>	<b>%</b>
21,500 and under	16.7
21,501 to 44,500	18.8
44,501 to 74,500	21.8
74,501 and above	24.3

Natural Resources Wales makes regular contributions to the Environment Agency Pension Fund (known as the Active Fund) for former Environment Agency Wales staff to fund current and future pension liabilities. Contributions are charged to the Statement of Comprehensive Net Expenditure taking account of the expected pension costs over the service lives of the employees and are set at a level sufficient to ensure the scheme is fully funded following formal actuarial valuations of the fund.

### 1.19.2 Other employee benefits

A liability is recognised for holiday pay and other short-term benefits when the employees render service that increases their entitlement to these benefits. As a result an accrual has been made for holidays earned but not yet taken.

Termination benefits are recognised as a liability, when Natural Resources Wales has a binding commitment to terminate the employment of an employee or group of employees before the normal retirement date, or as a result of an offer to encourage voluntary exit.

## 1.20 Estimation techniques

### 1.20.1 Critical accounting judgements and key sources of estimation uncertainty

In the application of Natural Resources Wales's accounting policies, judgements, estimates and assumptions need to be made about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### 1.20.2 Critical judgements in applying the accounting policies

The following are the critical judgements and estimates that have been made in the process of applying Natural Resources Wales's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

### 1.20.3 Valuation of the Forest Estate and biological assets

Natural Resources Wales believes that it would not be cost effective to carry out a five-yearly external professional valuation covering all areas of woodland, including those with biological assets. Following advice from professionally qualified valuers it is considered that a reasonable valuation can be derived by carrying out on-site valuations of a random sample of properties representing between eight and ten per cent of the forest estate and extrapolating these for the whole.

Natural Resources Wales, in consultation with the external valuers, considers that valuations based on groups of factors provide robust valuations and that the most appropriate market factors to consider are 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 fifty 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, including biological assets. As required under IAS 41 (Agriculture) the fair value of biological assets is reduced by estimated costs to the point of sale. These costs are estimated at five per cent of timber values and reflect the costs of selling the woodland or forest.

### 1.20.4 Biological assets

In applying IAS 41 (Agriculture) the detailed criteria for classifying forestry activities as agricultural were considered. This determined that not all forestry activity carried out by Natural Resources Wales could be regarded as agriculture under the standard, as woodlands and forests are primarily held and managed to meet the sustainable forest management objectives set out in Woodlands for Wales.

A detailed analysis of the forest estate was undertaken using a scoring system to determine those areas of the forest estate that fell within the four corporate objectives of social, economic, environmental and climate change based on a range of criteria. The resulting percentage attributed to economic was used to determine the implied value of trees classed as a biological asset. Should there be an acquisition or disposal of land that would create a total change of land holding of ten per cent or otherwise be of significance with regard the analysis an interim review would take place. There was no change during the period ending 31 March 2014.

### 1.20.5 Accrual for cost of untaken leave.

The estimate for the cost of untaken leave at 31 March 2014 was obtained by calculating the value of untaken leave for a sample of staff and grossing up that value from the full time equivalent of the sample to the full time equivalent for all staff employed at 31 March 2014. This was done separately for staff employed under the three legacy terms and conditions and the results aggregated to give a figure for all of Natural Resources Wales's staff.



## 1.21 Internal Drainage Districts

There are eleven Internal Drainage Districts (IDDs) located within North West Wales. The work undertaken in each IDD is funded by a combination of drainage rates levied on occupiers of agricultural land (e.g. farmers) and special levies paid by Local Authorities in respect of non agricultural land. Natural Resources Wales acts as the Internal Drainage Board (IDB) for these districts.

Natural Resources Wales 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 the 15th February of the financial year preceding that year to which they relate.

The drainage rates, special levies and precepts for 2013/14 were set by the Environment Agency Board in February 2013. This responsibility now rests with the Natural Resources Wales Board. In 2013/14, the amount raised via special levies was £100k, and from drainage rates was £52k. The total expenditure incurred on these eleven IDD's in 2013/14 was £148k, and the balance carried forward to 2014/15 is a surplus of £17k.

## 1.22 Value added tax

Natural Resources Wales is classified as a body to which section 33 of the Value Added Tax Act 1994 applies. Accordingly Natural Resources Wales recovers tax paid on both business and non-business activities, although 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.

## 1.23 Adoption of new and revised IFRS or FReM interpretations

### IFRS

IAS 8 requires disclosures in respect of new IFRSs, amendments and interpretations that are, or will be applicable after the reporting period. There are a number of IFRSs, amendments and interpretations that have been issued by the International Accounting Standards Board (IASB) that are effective for future reporting periods. Natural Resources Wales has not adopted any new IFRS standards early.

### FReM

Every year HM Treasury issues a new FReM, which interprets IFRS for the public sector. There are no changes which will affect the Natural Resources Wales.

## 2. Analysis of net expenditure by segment

	Operations North	Operations South	Knowledge, Strategy & Planning	National Services	Organisational Development & People Management	Finance & Corporate Services	Chief Executive, Governance and Communications	Transition	Centrally controlled	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Reported by segments</b>										
Expenditure	23,898	33,175	28,794	48,046	7,752	32,390	4,229	3,018	17,647	198,949
Income	(3,172)	(1,152)	(2,004)	(19,958)	0	0	0	0	(42,416)	(68,702)
	20,726	32,023	26,790	28,088	7,752	32,390	4,229	3,018	(24,769)	130,247
Capital expenditure	551	101	1,588	1,380		2,599	0	6,721	0	12,940

### Factors

The factors used to report segments are how Natural Resources Wales prioritised its management and budgetary decisions.

Income and expenditure shown above was directly attributed to the segments

### Description of segments

Operations North	Delivers statutory purposes and aspirations, at an operational level and via a network of local teams, within the seven counties of North Wales, Ceredigion and the Montgomery and Radnor areas of Powys.
Operations South	Delivers statutory purposes and aspirations, at an operational level and via a network of local teams, within the counties of South Wales and the Brecknockshire area of Powys.
Knowledge, Strategy & Planning	Manages the strategic environmental, spatial and business planning function of NRW.
National Services	Delivers a range of services for whole of Wales. There include flood and coastal risk management, capital programme management, forestry harvesting and the customer contact centre.
Organisational Development & People Management	Provides organisational development and staff resource management
Finance & Corporate Services	Provides financial and procurement support. Manages Natural Resources Wales's buildings and fleet. Delivers IT 'business as usual' services.
Chief Executive, Governance and Communications	The Chief Executive is also the Accounting Officer and is personally responsible for the proper stewardship of the public funds within his charge, for the day-to-day operations and management of the Natural Resources Wales. Governance & Communication provides and delivers legal services; planning, performance & reporting; audit & risk assurance and secretariat and information governance. The Communications Team provides an integrated communications and marketing service.
Transition	Delivers the transformational programmes for Natural Resources Wales to enable us to be self sufficient.
Centrally controlled	Income and expenditure controlled centrally and not allocated to directorates. It includes charge scheme income, depreciation, book value of fellings, year end accruals for provisions and deferred income.

### 3. Staff numbers and related costs

#### 3.1 Staff costs

	2013/14		
	£'000	£'000	£'000
	Permanent Staff	Other Staff	Total
Wages and salaries	57,429	4,917	62,346
Social security costs	4,380	397	4,777
Other pension costs	9,432	300	9,732
<b>Total net salary costs</b>	<b>70,391</b>	<b>6,464</b>	<b>76,855</b>
<b>Other expenditure for staff</b>			
Exit package costs			5,138
IAS 19 (Pensions) additional service charge			5,955
Less early retirement pension costs			(601)
Less in-year LGPS pension contributions			(4,832)
Transfer to Provision for Annual Compensation Payments			32
Other Staff Costs			39
Movement in Accrued Holiday Pay			(278)
<b>Total other expenditure for staff</b>			<b>5,453</b>
Less amounts charged to capital projects			(2,058)
<b>Total staff costs</b>			<b>80,250</b>

Details of NRW's pension arrangements can be found in note 21.

Details of the remuneration of Board Members and Directors are in the remuneration report.

#### 3.2 Average number of persons employed

The average number of full-time equivalent persons employed during the year was as follows:

	2013/14		
	Permanent Staff	Others	Total
	Number	Number	Number
Directly employed	1,841	132	1,973
Agency staff and contractors	0	37	37
<b>Total</b>	<b>1,841</b>	<b>169</b>	<b>2,010</b>

The full time equivalent number of staff employed on capital projects was 58.

### 3.3 Compensation schemes - exit packages

Exit package cost band	Compulsory Redundancies	Other departures agreed	Total exit packages by cost band
	Number	Number	Number
Under £10,000	0	5	5
£10,001 - £25,000	0	31	31
£25,001 - £50,000	0	51	51
£50,001 - £100,000	0	37	37
£100,001 - £150,000	0	2	2
Over £150,000	0	0	0
<b>Total</b>	<b>0</b>	<b>126</b>	<b>126</b>
<b>Total resource cost £'000</b>			<b>5,138</b>

The 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.

Exit costs are accounted for in full in the year they are agreed.

Where the legacy bodies agreed early retirements the costs were accounted for in full in the year when they were agreed, and a provision made for future commitments. The Annual Compensation Payments made in respect of these exit packages agreed in previous years are shown in Note 15 (Provisions).

Ill-health retirement costs are met by the pension schemes and are not included in the table.

### 3.4 Principal Civil Service Pension Scheme contributions

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but, as per other employers, Natural Resources Wales is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)).

During the period, employers' contributions of £4,876k were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% of pensionable pay, 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 2013/14 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £22k were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £2k, 0.8% of pensionable pay, 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.

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

### **3.5 Local Government Pension Scheme contributions**

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

The LGPS is a funded, statutory, defined contribution public service pension scheme. Hymans Robertson, the actuary for the EAPF, carries out a triennial valuation of the Fund's assets and liabilities in order to ensure that LGPS benefits are properly funded. The assets of the Fund are for meeting future pension liabilities. 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. The latest valuation was carried out as at 31 March 2013 for the three year period from 1 April 2010 to 31 March 2013.

Natural Resources Wales has a Community Admission Agreement with the EAPF in order 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 Natural Resources Wales 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. Welsh Government has entered into a guarantee with the EAPF to indemnify them for any liabilities that arise from the participation of Natural Resources Wales in the EAPF. The scheme is run on a 'closed' basis and not available to staff joining Natural Resources Wales.

For 2013/14 the employer's contribution rate was 13%. Employer's contributions of £4,832k were paid to the LGPS .

## 4. Capital works expensed in year

Categories	2013/14	31 March 2014
	Actual	Committed
	£'000	£'000
Flood risk management strategies	8,462	808
Restore and refurbishment	2,868	649
Embankments	2,961	1,068
Capital grants	2,424	1,390
Culverts and channel improvements	216	34
Piling	166	8
Flood mapping	155	27
Other	1,742	111
<b>Total</b>	<b>18,994</b>	<b>4,095</b>

### Category description

#### **Flood risk management strategies**

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

#### **Restore and refurbishment**

This entails carrying out works to ensure that the condition of the flood defences are retained in the appropriate condition and restored to that condition as necessary.

#### **Embankments**

A significant proportion of projects involve the creation, improvement or heightening of embankments along watercourses to reduce the risk of the water escaping from the river channel.

#### **Capital grants**

These are grants, mostly to Local Authorities, which fund work of a capital nature. It includes work on the Wales Coast Path, the Right of Way Improvement Programme, and also grants to assist with purchase of land. £896k of these grants were EU capital grants.

#### **Culverts and channel improvements**

This involves work on repairing or replacing culverts under land, roads and properties and channel improvements that assist the flow of watercourses.

#### **Piling**

This relates to the installation of piles (normally steel) 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. Once installed there is no ongoing benefit to Natural Resources Wales.

#### **Flood mapping**

Flood mapping is the production of multi-layered maps which provide information on flooding from groundwater, rivers and the sea for Wales. Flood maps also have information on flood defences and the areas benefiting from those flood defences.

#### **Other**

Other costs include the preparation of Water Level Management Plans and Catchment Flood Management Plans, locks and other waterway improvements, telemetry replacement and fish habitats improvement.

## 5. Other expenditure

Other expenditure comprises the following categories of cost.

	<b>to 31 March 2014</b>
	<b>£'000</b>
<b>Cash items</b>	
Shared services	15,494
Grants & partnership agreements	9,064
Plant, habitat and species protection	7,229
Timber harvesting, marketing and restocking	6,783
Reservoir operating agreements	6,484
Building costs	4,867
Transport and plant	4,825
Operational projects	4,260
Information technology	3,947
Forest roads	2,787
EU grants to third parties	2,530
Operating lease rentals	2,329
Renewable energy	2,061
Administration	1,859
Travel and subsistence	1,737
Contractors	1,539
Monitoring and gathering evidence	1,139
Fees and commissions	1,073
Public involvement	1,035
Consumables and materials	958
Training	777
Utilities	719
Other forestry programme costs	337
Statutory audits	159
Interest charges	116
Losses and write offs	10
<b>Sub-total</b>	<b>84,118</b>
<b>Non-cash expenditure</b>	
Value of fellings	6,976
Depreciation, amortisation and impairment	6,931
Movement in provision for bad debt	652
Movement in other provisions	1,054
Gain on sale of assets	(26)
<b>Sub-total</b>	<b>15,587</b>
<b>Total</b>	<b>99,705</b>

### **5.1 Auditor's remuneration**

The fee for the statutory audit of the 2013/14 accounts is £159k.

### **5.2 Reservoir operating agreements**

Expenditure under reservoir operating agreements includes two components. The first and smallest component is reimbursement to water companies of their net costs of operating certain reservoirs, after deducting any income generated from hydro-electric power. The second element represents annual payments fixed at the time of the related agreements (generally in 1989 upon privatisation of water companies) as compensation for a return on reservoir assets and indexed annually by RPI.

### **5.3 Losses and special payments**

Welsh Government's Managing Public Money rules require disclosure of losses and special payments by category, type and value where they exceed £300,000 in total and for any individual items above £300,000. Total losses and special payments were less than £300,000 in 2013/14.



## 6. Income analysis

	<b>2013/14</b> <b>£'000</b>
Abstraction charges	19,379
Fishing licences	1,566
EPR water quality	7,015
EPR installations	2,912
EPR waste	2,348
Hazardous waste	1,013
Emissions trading and carbon reduction commitment	302
Nuclear regulation	568
Marine licensing	412
Other environmental protection charges	220
<b>Income from fees and charges</b>	<b>35,734</b>
Timber income	12,985
Renewable energy income	4,750
Income from estates	2,173
Provision of information/services	1,205
Grant income	906
Legal costs recovered	412
Internal drainage board precepts	348
Laboratory income	294
Income from Proceeds of Crime Act	54
Flood risk consents	17
Miscellaneous income	60
<b>Income from other activities</b>	<b>23,204</b>
<b>Total income from activities</b>	<b>58,938</b>
EU income <sup>+</sup>	6,200
EU income on behalf of third parties	3,426
Insurance receipts	129
Interest receivable	9
<b>Other income</b>	<b>9,764</b>
<b>Total income</b>	<b>68,702</b>

EPR = Environmental Permitting Regulations

+ Including income claimed via Welsh European Funding Office (WEFO) or from the Welsh Government for european funded projects.

## 6.1 Analysis of fees and charges

	Income billed	Expenditure	Surplus/ (Deficit)
	£'000	£'000	£'000
Abstraction charges	19,583	19,379	204
Fishing licences	1,566	1,220	346
EPR water quality	6,524	7,015	(491)
EPR installations	2,556	2,912	(356)
EPR waste	2,583	2,348	235
Hazardous waste	1,052	1,013	39
Emissions trading and carbon reduction commitment	299	302	(3)
Nuclear regulation	809	568	241
Marine licences	412	545	(133)
Other environmental protection charges	812	220	592
<b>Total</b>	<b>36,196</b>	<b>35,522</b>	<b>674</b>

The above table relates to our fees and charges income and is shown in line with our accounting policy for deferred and accrued income within note 1.13.

Costs funded by Grant-in-Aid have been excluded from the table above, except for fishing licenses where the net cost after charges is funded by Grant-in-Aid. The above table does not include the effect of IAS 19 pension adjustments as these costs/benefits are not passed on to charge payers. The financial objective for the above schemes is full cost recovery taking one year with another, based on all costs including current cost depreciation and a rate of return on relevant assets and other notional costs where appropriate.

The key activities of each area are listed below:

### Water Resources

- Abstraction charges – charging for businesses using water abstraction from rivers or groundwater, the income reported includes other elements of water resources income.

### Environment and Business

- Fishing licences – charging individuals for licences to fish.
- EPR water quality – charging for discharges (CFD) from businesses into the environment.
- EPR installations - permitting to control and minimize pollution from industrial activities
- EPR waste – permitting for waste management 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 – charging individuals for boat licences.
- Other environmental protection – licensing for registration of waste carriers and brokers, transfrontier shipments, producer responsibility licensing for Waste Electronic and Electrical Equipment (WEEE), end of life vehicles, polychlorinated biphenyls and regulation of businesses under such schemes as Control of Major Accident Hazards (COMAH).

## 7. Tangible non-current assets

### 7.1 Property Plant and Equipment (PPE)

	Forest estate	Other land	Buildings	Plant and machinery	Information technology	Operational structures	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
<b>At 19 July 2012</b>	0	0	0	0	0	0	0	0
Transfer of assets	440,126	42,383	15,901	25,595	4,089	47,863	7,214	583,171
Adjustment to transferred balance	0	(225)	(965)	(895)	0	0	0	(2,085)
Harmonisation of policies	0	0	0	(533)	(1,212)	(7)	0	(1,752)
Additions	75	0	25	416	1,010	118	9,369	11,013
Assets commissioned in year	0	78	1,665	567	0	2,872	(5,182)	0
Disposals	0	0	0	(2,085)	(525)	0	0	(2,610)
Reclassified as Held for Sale	(12)	(64)	(403)	0	0	0	0	(479)
Fellings	(5,132)	0	0	0	0	0	0	(5,132)
Revaluation to Reserve	60,055	(2,730)	2,674	177	5	2,013	0	62,194
Indexation (SoCNE)	0	0	0	0	(40)	0	0	(40)
<b>At 31 March 2014</b>	<b>495,112</b>	<b>39,442</b>	<b>18,897</b>	<b>23,242</b>	<b>3,327</b>	<b>52,859</b>	<b>11,401</b>	<b>644,280</b>
<b>Depreciation</b>								
<b>At 19 July 2012</b>	0	0	0	0	0	0	0	0
Transfer of assets	0	11	3,456	15,060	3,411	9,389	0	31,327
Adjustment to transferred balance	0	(12)	(235)	(535)	0	0	0	(782)
Harmonisation of policies	0	0	0	(490)	(1,054)	0	0	(1,544)
Charged in year	0	0	729	2,664	441	2,224	0	6,058
Disposals	0	0	0	(1,800)	(521)	0	0	(2,321)
Reclassified as Held for Sale	0	0	(279)	0	0	0	0	(279)
Impaired Reversal on Disposal	0	0	0	(115)	0	0	0	(115)
Revaluation to Reserve	0	1	189	27	4	894	0	1,115
Indexation (SoCNE)	0	0	297	2	(24)	0	0	275
Impairment	0	0	0	7	0	0	0	7
<b>At 31 March 2014</b>	<b>0</b>	<b>0</b>	<b>4,157</b>	<b>14,820</b>	<b>2,257</b>	<b>12,507</b>	<b>0</b>	<b>33,741</b>
<b>Carrying amount at 19 July 2012</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Carrying amount at 31 March 2014</b>	<b>495,112</b>	<b>39,442</b>	<b>14,740</b>	<b>8,422</b>	<b>1,070</b>	<b>40,352</b>	<b>11,401</b>	<b>610,539</b>
<b>Asset Financing</b>								
Owned	495,112	39,442	14,740	7,190	1,070	40,352	11,401	609,307
Leased	0	0	0	1,232	0	0	0	1,232
<b>Carrying amount at 31 March 2014</b>	<b>495,112</b>	<b>39,442</b>	<b>14,740</b>	<b>8,422</b>	<b>1,070</b>	<b>40,352</b>	<b>11,401</b>	<b>610,539</b>

## 7.2 Heritage assets

	£'000
<b>Cost</b>	
<b>At 19 July 2012</b>	0
Transfer of assets	6,414
Additions	18
<b>At 31 March 2014</b>	6,432
<b>Carrying amount at 19 July 2012</b>	<u>0</u>
<b>Carrying amount at 31 March 2014</b>	<u>6,432</u>
<b>Asset Financing</b>	
Owned	<u>6,432</u>
<b>Carrying amount at 31 March 2014</b>	<u><u>6,432</u></u>

Land owned by Natural Resources Wales in designated conservation areas and held to support of increasing knowledge, understanding and appreciation of the Welsh natural environment has been classified as non-operational heritage assets. 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. Our accounting policy on heritage assets is shown in Note 1.7.1

As at 31 March 2014 Natural Resources Wales has 76 National Nature Reserves (NNRs) and 1 Marine Nature Reserve (MNR) declared under several categories: 41 NNRs are managed by Natural Resources Wales; 19 are managed by Natural Resources Wales in partnership; a further 16 are managed by third parties. Natural Resources Wales also has 9 non-NNR landholdings (some pending declaration).

In 2013/14 Natural Resources Wales was the body responsible for declaring NNRs in Wales. NNRs may be declared in three ways (all may apply on any given NNR):

1. Land owned or leased by Natural Resources Wales may be declared under Section 19 of the National Parks and Access to the Countryside Act, 1949.
2. Through an agreement with the owner, lessee or occupier of the land – a Section 16 Agreement or Nature Reserve Agreement (NRA).
3. Under Section 35(1) of the Wildlife and Countryside Act, 1981 (as amended, 1985) which allows for land owned and managed as a nature reserve by other approved bodies to be declared as an NNR, without the need for an NRA.

	<b>31 March 2014</b>
	<b>Hectares</b>
<b>Declared NNR/MNRs:</b>	
Owned by Natural Resources Wales	10,416
Leased by Natural Resources Wales	7,463
Section 16 agreements	11,096
Section 35 agreements	2,882
<b>Total</b>	<b>31,857</b>
<b>Undeclared landholdings/non NNR sites:</b>	
Owned by Natural Resources Wales	491
Leased by Natural Resources Wales	32
<b>Total</b>	<b>523</b>

During the year 1 hectare of undeclared land was purchased at a cost of £15k plus fees. No undeclared land was declared.

### **Natural Resources Wales's policy for the acquisition, preservation, management and disposal of heritage assets**

#### **Acquisition**

If and when, whole or sections of, declared NNRs become available for land purchase Natural Resources Wales's board will consider the merits of purchase and/or may encourage partners/other approved bodies to do so, and may offer assistance through grants.

#### **Preservation/management**

All NNRs are managed in accordance with an approved management plan, which include conservation objectives from all recognised features of interest and identifies necessary projects and work programmes. The plans are reviewed periodically and the necessary implementation of the work identified in plans checked by Natural Resources Wales's Designated and Access Sites Planning Team through a rolling programme of views/environmental audits.

#### **Disposal**

A full review of the NNR series in Wales is carried out at least every five years to ensure that all reserves continue to contribute significantly to Natural Resources Wales's corporate vision for the NNR series. Where they fail to do so, necessary remedies will be identified and/or a recommendation made to management that a given NNR be dedeclared.

#### **Access**

Natural Resources Wales have an agreed access policy for NNRs which aims to encourage sustainable public use.

**The following policies will be applied to all the NNRs that Natural Resources Wales manage:**

Natural Resources Wales will declare all land in Natural Resources Wales ownership and, whenever possible, land in Natural Resources Wales's control, as 'dedicated land' under the Countryside Rights of Way (CRoW) Act.

- In all cases Natural Resources Wales will consult with local communities and other stakeholders before proceeding with dedication.
- For land under Natural Resources Wales control, for example, lease or agreements, Natural Resources Wales will consult with and seek the full agreement of all owners and occupiers before proceeding with dedication.
- Whenever necessary, access restrictions will be applied to sites, or parts of sites, where such restrictions are essential for the protection of the conservation features.

Natural Resources Wales will encourage the sustainable public use of National Nature Reserves in Wales in so far as such use:

- Is consistent with Natural Resources Wales's duty to maintain or restore the nature conservation and geological features to Favourable Conservation Status
- Does not expose visitors or staff, including contractors, to any significant hazards

All legitimate and lawful activities will be permitted in so far as these activities:

- Are consistent with Natural Resources Wales's duty to maintain or restore the nature conservation and geological features to Favourable Conservation Status
- Do not expose visitors or staff, including contractors, to any significant hazards
- Do not diminish the enjoyment of other visitors to the site

### 7.3 Biological Assets

Non-current biological assets comprise timber.

Natural Resources Wales's revaluation policy for biological assets is described in Note 1.7 above. The apportionment of trees between biological assets and property, plant and equipment was carried out by Natural Resources Wales staff using the judgements and estimates outlined in Note 1.7.2.

Movements during the period were as follows:

	<b>£'000</b>
<b>At 19 July 2012</b>	0
Transfer of Assets	79,589
Fellings	(1,844)
Transfer to non-current assets held for sale	(2)
Gains and losses arising from changes in fair values	22,308
<b>At 31 March 2014</b>	<b><u>100,051</u></b>

## 8. Intangible assets

	Software Licences	Other Licences	Software Development Expenditure	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
<b>At 19 July 2012</b>	0	0	0	0	<b>0</b>
Transfer of assets	2,678	2,205	4,965	126	<b>9,974</b>
Adjustment to transferred balance	9	0	0	0	<b>9</b>
Harmonisation of policies	(104)	(190)	0	0	<b>(294)</b>
Additions	89	33	0	1,787	<b>1,909</b>
Assets commissioned in year	68	0	44	(112)	<b>0</b>
Disposals	(53)	0	0	0	<b>(53)</b>
Indexation (SoCNE)	(48)	(3)	(3)	0	<b>(54)</b>
Revaluation reserve	(31)	0	(203)	0	<b>(234)</b>
<b>At 31 March 2014</b>	<b>2,608</b>	<b>2,045</b>	<b>4,803</b>	<b>1,801</b>	<b>11,257</b>
<b>Amortisation</b>					
<b>At 19 July 2012</b>	0	0	0	0	<b>0</b>
Transfer of assets	1,922	0	1,981	0	<b>3,903</b>
Adjustment to transferred balance	8	0	1	0	<b>9</b>
Harmonisation of policies	(103)	0	0	0	<b>(103)</b>
Charged in year	312	0	554	0	<b>866</b>
Disposals	(53)	0	0	0	<b>(53)</b>
Indexation (SoCNE)	(25)	0	0	0	<b>(25)</b>
Revaluation reserve	(23)	0	(44)	0	<b>(67)</b>
<b>At 31 March 2014</b>	<b>2,038</b>	<b>0</b>	<b>2,492</b>	<b>0</b>	<b>4,530</b>
<b>Carrying Amount at 19 July 2012</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Carrying Amount at 31 March 2014</b>	<b>570</b>	<b>2,045</b>	<b>2,311</b>	<b>1,801</b>	<b>6,727</b>
<b>Asset Financing</b>					
Owned	570	2,045	2,311	1,801	6,727
<b>Carrying Amount at 31 March 2014</b>	<b>570</b>	<b>2,045</b>	<b>2,311</b>	<b>1,801</b>	<b>6,727</b>

## 9. Financial assets, liabilities and instruments

### 9.1 Available-for-sale financial assets

	£'000
<b>At 19 July 2012</b>	<b>0</b>
Transfer of assets	260
<b>At 31 March 2014</b>	<b>260</b>

Available-for-sale financial assets is NRW's 20% share of the value of the property assets held by Forest Holidays LLP for Beddgelert Campsite in Snowdonia.

### 9.2 Financial liability

#### 9.2.1 Operating lease.

A financial liability is created when payments made under an operating lease are adjusted to a straight line basis over the lease term.

	£'000
<b>At 19 July 2012</b>	<b>0</b>
Transfer of financial liability	68
Additional financial liability during 2013/14	30
<b>At 31 March 2014</b>	<b>98</b>

#### 9.2.2 Reservoir operating agreements

In 1989 the National Rivers Authority entered into a number of reservoir operating agreements with water companies, under section 126 of the Water Act 1989, re-enacted by section 20 of the Water Resources Act 1991.

These agreements contained 2 financial components. The first was for payment to the water companies of their operating costs for the reservoirs, net of income generated thereon by the companies, such as on hydroelectric power. The second was for fixed payments, indexed upwards annually based on the retail price index, which are payable in perpetuity. The terms of these agreements were negotiated between HM Government and the water companies and were made to enable privatisation to occur.

In 1996 the liabilities under these agreements were transferred to the Environment Agency, and on 1 April 2013 the liabilities to Dŵr Cymru Welsh Water were transferred to Natural Resources Wales.

The fixed component payable to Dŵr Cymru Welsh Water is accounted for as a financial liability. The financial liability represents the contractual liability Natural Resources Wales has to the water company. The full cost of reservoir operating agreements, including the elements that give rise to these financial liabilities, is recoverable under legislation through water resources abstraction licences. Dŵr Cymru Welsh Water, who receive payments for operating reservoirs, also pay the majority of the charges for water

	£'000
<b>At 19 July 2012</b>	<b>0</b>
Transfer of financial liability	39,844
<b>At 31 March 2014</b>	<b>39,844</b>

£5,072k was paid to Dŵr Cymru Welsh Water during 2013/14.

The liabilities are measured as perpetuities at the real terms value according to the underlying reservoir operating agreements. The discounting applied reflects the opportunity cost to the taxpayer of entering into the agreement and liability compared to other opportunities for investment.

Because the liabilities have been calculated on an amortised cost basis and as perpetuities, they will not change from year to year except in the unlikely event of an agreement ceasing. The agreements, and obligations to pay, will only cease if Dŵr Cymru Welsh Water cease to be the entity controlling the reservoirs.



Natural Resources Wales does not bear liquidity, credit or interest rate risk on these financial instruments.

### **9.3 Financial Instruments**

Due to the largely non-trading nature of its activities and the way in which Welsh Government bodies are financed, Natural Resources Wales is not exposed to the degree of financial risk faced by many business entities.

#### **Nature and extent of risks**

##### **Credit risk**

The possibility that other parties might fail to pay amounts due. Some of Natural Resources Wales's customers and counterparties are other public sector organisations. There is no credit risk from these organisations. For those customers and counterparties that are not public sector organisations, Natural Resources Wales has policies and procedures in place to ensure credit risk is kept to a minimum.

##### **Liquidity risk**

The possibility that Natural Resources Wales might not have funds available to meet its commitments. Natural Resources Wales's resource requirements are mostly met by resources voted annually by the Welsh Government. A profiled resource requirement is agreed with Welsh Government annually and reviewed monthly, so that Natural Resources Wales is not exposed to significant liquidity risks.

##### **Market Risk**

Natural Resources Wales has no powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing Natural Resources Wales in undertaking its activities.

##### **Long term agreement risk**

Natural Resources Wales has entered into long term agreements with the Welsh European Funding Office and with the European Union to deliver EU funded projects. Under these agreements Natural Resources Wales could be liable to repay agreed funding where European Auditors are not satisfied with how the funding has been utilised. This applies to work undertaken by Natural Resources Wales and also by our third sector partners. Systems and contracts have been put in place to ensure that this risk is minimised and is part of a continual assessment process. At present this is being managed and is not considered material.

##### **Foreign currency risk**

This is the risk that Natural Resources Wales will suffer financial loss due to changes in exchange rates. Natural Resources Wales undertakes a small number of foreign currency transactions and is not exposed to significant exchange risk.

##### **Interest rate risk**

This is the risk that Natural Resources Wales will suffer financial loss due to interest rate fluctuation. Natural Resources Wales's financial assets and its financial liabilities carry nil or fixed rates of interest, therefore Natural Resources Wales is not exposed to significant interest rate risk.

##### **Fair values**

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value.

## 10. Assets held for sale

	<b>31 March 2014</b> <b>£'000</b>
Land	77
Buildings	124
Biological assets	3
<b>Total</b>	<b><u>204</u></b>

The assets above, relating to surplus properties, have been presented as held for sale following the approval for sale by the management of NRW. The completion dates for sale are expected to be within the twelve months to 31 March 2015

## 11. Inventories

	<b>31 March 2014</b> <b>£'000</b>
Timber stock	411
<b>Total</b>	<b><u>411</u></b>

## 12. Trade and other receivables

	<b>31 March 2014</b> <b>£'000</b>
<b>Within one year</b>	
Trade receivables	6,082
VAT receivable	5,523
Provision for doubtful debt	(782)
Prepayments and accrued income	4,461
Accrued EU Income	3,112
Deposit	140
Other receivables	654
<b>Total due within one year</b>	<b><u>19,190</u></b>
<b>More than one year</b>	
Other receivables	135
<b>Total</b>	<b><u>19,325</u></b>
<b>Analysis of receivables</b>	
Central Government Bodies	7,694
Local Authorities	32
Bodies external to Government	11,599
<b>Total</b>	<b><u>19,325</u></b>

### 13. Cash and cash equivalents

	31 March 2014 £'000
Opening balance	0
Cash transferred	10,314
Net change in cash and cash equivalent balances	4,797
<b>Closing Balance</b>	<b>15,111</b>

The following balances were held at 31 March

Government Banking Service	14,520
Barclays Bank	589
Cash in hand	2
<b>Closing Balance</b>	<b>15,111</b>

### 14. Trade and other payables

	31 March 2014 £'000
<b>Within one year</b>	
Taxation and social security	15
Trade payables	2,049
Trade payables accrual	4,378
Deferred income	5,298
Deferred EU Income	10
Holiday pay	1,683
Finance leases	244
Other payables	892
Customer deposits and receipts in advance	285
<b>Total due within one year</b>	<b>14,854</b>
<b>More than one year</b>	
Finance leases	935
Trade and other payables	1,923
<b>Total due after one year</b>	<b>2,858</b>
<b>Total</b>	<b>17,712</b>
<b>Analysis of payables</b>	
Central Government Bodies	3,269
Local Authorities	72
Bodies external to Government	14,371
<b>Total</b>	<b>17,712</b>

## 15. Provisions

31 March 2014

	Early Departure Costs	Other	Total
	£'000	£'000	£'000
Balance transferred in	836	549	1,385
Additional provision provided in the year	13	1,054	1,067
Provisions used in the year	(243)	(134)	(377)
Increase in provision due to lower discount rate	5	0	5
Unwinding of discount	14	0	14
<b>Balance at 31 March 2014</b>	<b>625</b>	<b>1,469</b>	<b>2,094</b>

	Early Departure Costs	Other	Total
	£'000	£'000	£'000
<b>Estimated timing of discounted cash flows</b>			
Due within one year	214	1,469	1,683
Due between one and five years	411	0	411
Due after more than five years	0	0	0
<b>Total</b>	<b>625</b>	<b>1,469</b>	<b>2,094</b>

Provision for early departure costs consist of annual compensation payments to former staff who left under legacy bodies' early retirement programmes. These payments are indexed by the consumer price index (CPI) and continue until each individual reaches pensionable age (60). The provision represents the cost to Natural Resources Wales, using an indexation rate of 2.7%, and discounted by the HM Treasury discount rate of 1.8%

Other provisions include £972k of grant offers to fund work to be undertaken up to 31 March 2014 but which will not to be claimed until June 2014, £80k for dilapidations on various buildings being released under NRW's Accommodation Strategy and £237k for other claims. It is expected that all of these will be paid within the next twelve months.

The cost of additional provision and changes in discount for the early departure costs provision are reported in Note 3.1. The costs of the additional other provisions are shown in Note 5. The total provisions reported above are in the Statement of Financial Position under liabilities.

The additional provision for bad debt, also shown in Note 5, is included in total provision for bad debt in Note 12 and shown in the Statement of Financial Position under receivables.

## 16. Capital commitments

31 March 2014

	£'000
<b>Property Plant &amp; Equipment</b>	
Plant and machinery	30
Transport equipment	20
Operational structures	480
<b>Total</b>	<b>530</b>
<b>Intangible Assets</b>	
Information technology - software licences	105
Information technology - software development	900
<b>Total</b>	<b>1,005</b>

## 17. Commitments under leases

### 17.1 Operating leases

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

	31 March 2014			
	Land	Buildings	Vehicles	Total
Obligations under operating leases are:	£'000	£'000	£'000	£'000
Later than one year and not later than five years	104	1,761	1,215	3,080
Later than five years	342	5,964	1,875	8,181
	1,665	2,065	0	3,730
<b>Total value of obligations</b>	<b>2,111</b>	<b>9,790</b>	<b>3,090</b>	<b>14,991</b>

### 17.2 Finance leases

	31 March 2014		
	Land	Vehicles	Total
Obligations under finance leases are:	£'000	£'000	£'000
Not later than one year	13	232	245
Later than one year and not later than five years	38	688	726
Later than five years	209	0	209
<b>Total value of obligations</b>	<b>260</b>	<b>920</b>	<b>1,180</b>

## 18. Other financial commitments

NRW has entered into non-cancellable contracts (which are not leases or Public Finance Initiative (PFI) contracts) for Better Woodlands for Wales scheme, grants, purchases, and management agreements. The total payments to which NRW is committed at 31 March 2014 are :

	31 March 2014
	£'000
Not later than one year	35,769
Later than one year and not later than five years	5,940
Later than five years	833
<b>Total</b>	<b>42,542</b>

## 19. Contingent liabilities

NRW has the following contingent liabilities:

	31 March 2014
	£'000
Public liability	66
Contractors' claims	970
<b>Total</b>	<b>1,036</b>

## 20. Events after the end of the reporting period

There are no events to report after the end of the reporting period

## 21. Pension obligations

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

### Principal Civil Service Pension Scheme

PCSPS is open to new employees and those covered by LGPS (depending on certain conditions).

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). 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 and nuvos are increased annually in line with Pensions Increase legislation. 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 1.5% and 3.9% of pensionable earnings for classic and 3.5% and 5.9% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2013. 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 his 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. 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 a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. 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). NRW also contributes a further 0.8% 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 and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/pensions>

### Local Government Pension Scheme (LGPS)

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

EAPF operates a statutory, defined benefit pension scheme, administered in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, the Local Government Pension Scheme (Administration) Regulations 2008 and the Local Government Pension Scheme (Transitional Provisions) Regulations 2008. It is contracted out of the State Second Pension. Further details on the pension fund including its annual report and accounts, are on the EAPF website, [www.eapf.org.uk](http://www.eapf.org.uk).

The total pension charge for Natural Resources Wales was £6.0 million. 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.

The latest available triennial actuarial valuation of the scheme was at 31 March 2013. The assumptions having the most significant effect on the last valuation of the liabilities were those relating to the future rate of return on investments and the rate of increases in salaries and pensions. It was assumed that the future investment return would be 4.6% per annum. In order to be prudent and not risk under-stating the liability, it was assumed that future salary increases would average 3.5% per annum (set equal to the long-term rate of RPI plus 0.5%). The prudent actuarial assumptions do not represent a view on what future pay movements may be. It has been assumed that present and future pensions will increase at the rate of 2.2% per annum.

At the date of the last actuarial triennial valuation, the market value of the assets of the pension scheme were sufficient to cover 90% of the value of liabilities in respect of past service benefits which had accrued to members. Natural Resources Wales has accepted the independent actuary's recommendation in respect of future employer contributions.

The estimated contribution payable by Natural Resources Wales, excluding any discretionary lump sum payments, for the year to 31 March 2015 will be approximately £6.0 million.

The notes below set out the disclosure requirements of IAS 19 for the current year in relation to Natural Resources Wales's participation in the EAPF. All calculations have been made by a qualified independent actuary and were based on the most recent actuarial valuation of the fund at 31 March 2013 updated to 31 March 2014. The assumptions underlying the calculation of a net liability at 31 March 2014 are only used for accounting purposes as required under IAS 19. There is no requirement for the reported net liability to be met as a lump sum. Cash contributions paid by Natural Resources Wales to the pension fund will continue to be set by reference to assumptions agreed at each triennial actuarial valuation of the scheme.

## 21.1 Financial and longevity assumptions

	<b>31 March 2014</b>	<b>01 April 2013</b>
	% per annum	% per annum
Inflation and pension increase rate	2.5	2.5
Salary increase rate *	3.8	3.8
Discount rate	4.3	4.5

\*As at 31 March 2014 the long-term pay growth assumption is RPI plus 0.5% p.a.

### 31 March 2014

Average future life expectancy at age 65	Male (years)	Female (years)
Current Pensioners	22.6	24.5
Future pensioners (people aged 65 in 20 years)	24.7	27.0

## 21.2 Fair Value of Assets for the year ended 31 March 2014

Asset Category	Active market quoted prices £m	Non active market quoted prices £m	Total £m	%
Equity Securities:				
Consumer	26.4	-	26.4	12%
Manufacturing	11.4	-	11.4	5%
Energy and Utilities	17.5	-	17.5	8%
Financial Institutions	15.4	-	15.4	7%
Health and Care	10.8	-	10.8	5%
Information technology	10.7	-	10.7	5%
Debt Securities:				
Corporate Bonds (investment grade)	20.3	-	20.3	9%
UK Government	19.9	-	19.9	9%
Private Equity:				
All	-	8.1	8.1	3%
Real Estate:				
All	-	8.6	8.6	4%
Investment funds and unit trusts:				
Equities	42.5	-	42.5	19%
Bonds	26.1	-	26.1	12%
Cash and cash equivalents:				
All	4.9	-	4.9	2%
<b>Totals</b>	<b>205.9</b>	<b>16.7</b>	<b>222.6</b>	<b>100%</b>

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

Period ended 31 March 2014	Fair Value of Employer Assets		Funded Defined Benefit Obligations		Net (liability)/asset	
	£m	£m	£m	£m	£m	£m
<b>Liability transfer as at 1 April 2013</b>		<b>203.9</b>		<b>(246.7)</b>		<b>(42.8)</b>
Pension benefits accrued by members during the year*	-		(5.4)		(5.4)	
Change in cost of pensions from previous years' service	-		(0.6)		(0.6)	
<b>Total service cost (recognised in net expenditure)</b>		<b>-</b>		<b>(6.0)</b>		<b>(6.0)</b>
Income earned on scheme assets	9.2		-		9.2	
Interest cost on defined benefit obligation	-		(11.1)		(11.1)	
<b>Total net interest (recognised in net expenditure)</b>		<b>9.2</b>		<b>(11.1)</b>		<b>(1.9)</b>
Employees' contributions	2.0		(2.0)		-	
Employer contributions	5.4		-		5.4	
Benefits paid	(5.8)		5.8		-	
<b>Total cash flows</b>		<b>1.6</b>		<b>3.8</b>		<b>5.4</b>
<b>Expected closing position</b>		<b>214.7</b>		<b>(260.0)</b>		<b>(45.3)</b>
Change in demographic assumptions	-		-		-	
Change in financial assumptions	-		(11.6)		(11.6)	
Other changes such as inflation rate	-		(0.2)		(0.2)	
Return on assets excluding amounts included in net interest	7.9		-		7.9	
<b>Total remeasurements (recognised in Other Comprehensive Expenditure)</b>		<b>7.9</b>		<b>(11.8)</b>		<b>(3.9)</b>
<b>Closing position as at 31 March 2014</b>		<b>222.6</b>		<b>(271.8)</b>		<b>(49.2)</b>

\*Includes an allowance for administration expenses of 0.4% of payroll costs.

There are no current unfunded obligations.

The defined benefit obligation comprises of approximately £148.1 million, £37.1 million and £86.6 million in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2014.

## 21.4 Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumption	Approximate % increase in employer liability	Approximate monetary amount
	%	£m
0.5% decrease in real discount rate	12	31.3
One year increase in member life expectancy	3	8.2
0.5% increase in salary increase rate	4	11.9
0.5% increase in pension increase rate	7	18.9



## 22. Related parties

Natural Resources Wales is a sponsored body of the Welsh Government, which is regarded as a related party. During the year Natural Resources Wales has had significant material transactions with the Welsh Government in the normal course of business (the Grant-in-Aid and grants received from WG during the year is reported in the Statement of Taxpayers Equity) and with other entities for which the Welsh Government is regarded as the parent department namely Welsh Local Authorities and National Parks.

In addition, Natural Resources Wales has had various material transactions with other government departments and other central government bodies. Most of these transactions have been with Department for Environment, Food and Rural Affairs (Defra), Environment Agency, Centre for Environment, Fisheries and Aquaculture Science, Forestry Commission, HMRC and Natural England.

During the year Natural Resources Wales, in the normal course of its business, entered into the following material transactions with the following organisations in which board and directors or other related parties have an interest. Board members and directors have had no direct influence over these transactions.

Organisation	Member	Total payments	Total income	Amount owed by NRW at 31 March 2014	Amount owed to NRW at 31 March 2014
		£'000	£'000	£'000	£'000
Aberystwyth University	Emyr Roberts	98	7	0	0
All Wales Partnership of the Canal and River Trust in Wales	Ruth Hall	37	28	0	0
Betsi Cadwaladr Health Board	Hywel Davies	0	7	0	0
Cardiff University	Ruth Hall Paul Williams' spouse	86	12	10	0
Defra (JNCC contribution)	Morgan Parry Lynda Warren Peter Matthews	752	0	0	0
Natural England	Nigel Reader	95	2	0	0
Wales Audit Office	Mike Brooker	170	0	166	0
Wildlife Trust of South and West Wales	Lynda Warren and spouse	71	0	0	0
Wildlife Trusts Wales	Lynda Warren	426	0	0	0
Wye and Usk Foundation	Harry Legge-Bourke	41	17	0	0

## The Certificate and Report of the Auditor General for Wales to the National Assembly for Wales

I certify that I have audited the financial statements of Natural Resources Wales for the period ended 31 March 2014, under Paragraph 23 of the Schedule to the Natural Resources Body for Wales (Establishment) Order 2012. These comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cashflows, Statement of Changes in Taxpayers Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report and the financial statements, in accordance with Paragraph 23 of the Schedule to the Natural Resources Body for Wales and directions made there under and for ensuring the regularity of financial transactions.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with applicable law and with International Standards on Auditing (UK and Ireland). These standards require me to comply with the Auditing Practice Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to Natural Resources Wales' circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by Natural Resources Wales; and
- the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on Financial Statements**

In my opinion the financial statements:

- give a true and fair view of the state of Natural Resources Wales' affairs as at 31 March 2014 and of its net operating costs, recognised gains and losses and cash flows for the period then ended; and
- have been properly prepared in accordance with Paragraph 23 of the Schedule to the Natural Resources Body for Wales (Establishment) Order 2012.

### **Opinion on Regularity**

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Paragraph 23 of the Schedule to the Natural Resources Body for Wales (Establishment) Order 2012; and
- the information which comprises the Strategic Report and Management Commentary included within the Annual Report is consistent with the financial statements.

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

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

- the Annual Governance Statement does not reflect compliance with HM Treasury guidance;
- proper accounting records have not been kept;
- information specified by HM Treasury regarding the remuneration and other transactions is not disclosed; or
- I have not received all of the information and explanations I require for my audit.

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

I have no observations to make on these financial statements.

Huw Vaughan Thomas

Auditor General for Wales  
24 Cathedral Road  
Cardiff  
CF11 9LJ

24 July 2014

# Annex 1. Corporate Environmental Report

## Introduction

Our organisation's purpose is to ensure that the natural resources of Wales are sustainably maintained, enhanced and used, now and in the future. We have made the commitment that sustainable development will be at the heart of all our business decisions. Over the coming years, we want to develop ourselves as an exemplar organisation with regards to sustainability and environmental management in Wales, especially in our management and use of carbon, waste, water and land.

Our focus during this first year has been to establish our baseline, in order to measure future performance and set ourselves challenging targets for reducing our environmental impact. This report relates primarily to environmental sustainability (as distinct from wider sustainability actions or outcomes). Wider sustainability related reporting, can be found throughout our Annual Report & Accounts.

## Summary of Performance

We have attained ISO14001 certification for our new Environmental Management System (EMS), following independent external audits and verification. Our EMS<sup>1</sup> attained ISO14001 certification following independent external audits and verification by LRQA in March 2014. Having a recognised EMS allows us to demonstrate our own commitment to achieving the highest possible environmental standards as an organisation.

We have also maintained woodland certification (the UK Woodland Assurance Standard) for the Welsh Government Woodland Estate we manage, following a surveillance audit in November via SGS. This enables us to produce FSC/PEFC<sup>2</sup> certified timber from the Welsh Government Woodland Estate we manage.

We have also established baselines for our new organisation's environmental impact (as shown below, and within this report). These baselines now form the basis for assessing our performance in future years.

**Table 1: Corporate Environmental report summary table**

Area	Units	Actual (2013/14 - Full year)
Greenhouse gas emissions <sup>3</sup>	Consumption (tCO <sub>2</sub> e)	7,342
	Expenditure (£k)	3,323
Estate energy	Consumption (million kWh)	7.6
	Expenditure (£k)	570
Estate waste	Consumption (tonnes)	635
	Expenditure (£k)	147
Estate water	Consumption (m <sup>3</sup> )	87,918
	Expenditure (£k)	35

<sup>1</sup> Our EMS is applicable to: "Activities and services associated with the sustainable management of the environment and natural resources of Wales, excluding forest operations, which is separately certified under UKWAS"

<sup>2</sup> Forest Stewardship Council (FSC). Programme for the Endorsement of Forest Certification (PEFC). As supported by our UK Woodland Assurance Standard (UKWAS) accreditation

<sup>3</sup> (Scopes 1, 2 & 3 including air/rail travel and outside of scopes emissions)

## Summary of Future Strategy

Over the next three years we intend to focus on:

- Ensuring the sustainable management of land and water we manage including: the Welsh Government Woodland Estate; National Nature Reserves we own/manage directly; historic assets; flood defence works and assets; River Dee conservancy
- Understanding our contribution to mitigating the effects of climate change using the land and water we manage and our other assets, and aiming to be an exemplar in carbon management
- Maintaining ISO14001 accreditation for our environmental management and being an exemplar in areas such as carbon use, waste and water

### Next year

- We want to reduce our carbon footprint – and have set a target to reduce our carbon footprint in relation to travel (and buildings energy use) by 5% compared to our baseline
- We want to embed our EMS into the culture of our organisation - as part of this we will be establishing regional EMS committees to report performance quarterly, delivering leadership workshops to all directorates and delivering EMS awareness training to staff
- We want to integrate environmental, social and economic factors into our procurement activity - we will develop and publish a sustainable procurement strategy, apply a sustainability risk assessment (SRA) tool to new contracts over £25k, and comply with our timber procurement policy
- We want to be an engaging and transparent organisation for our EMS stakeholders - we will engage with stakeholders and publish an annual sustainability report and our core EMS documentation

We will also be working to improve our sustainability reporting - reflecting likely requirements of the upcoming Future Generations Bill by working towards integrated reporting.

## Greenhouse Gas Emissions

Our Greenhouse Gas emissions are outlined below.

**Table 1: Baseline for Greenhouse gas emissions**

<b>Greenhouse gas emissions<sup>4</sup></b>	<b>2013/14 (full year)</b>
Scope 1: Direct GHG emissions (tCO <sub>2</sub> e)	3,089
Scope 2: Energy indirect emissions (tCO <sub>2</sub> e)	1,993
Scope 3: Other indirect GHG emissions (tCO <sub>2</sub> e)	2,260
<b>Total gross GHG emissions (tCO<sub>2</sub>e)</b>	<b>7,342</b>
<i>Outside of scopes (i.e. biomass)</i>	357
<i>Carbon intensity (tCO<sub>2</sub>e per £m expenditure)</i>	41.5

We are working to improve our reporting in relation to scope 1 emissions from plant/machinery. We will enhance our scope 3 emissions reporting in 2014/15, with the reporting of contracted-out activities and embodied emissions the main areas we are looking to improve upon in 2014/15.

## Waste Minimisation and Management

We are committed to minimising the amount of waste we generate. We recognise that we need to improve our reporting in this area, and we have been working to ensure consistency in the waste data we report during this year. We aim to be able to report this area more fully in 2014/15.

**Table 2: Baseline for Waste Generated**

Waste generated	Units	2013/14 (full year)
Landfilled	Consumption (tonnes)	88
	Expenditure (£k)	90
Recycled / reused (including WEEE)	Consumption (tonnes)	448
	Expenditure (£k)	57
Fly-tip	Consumption (tonnes)	75
	Expenditure (£k)	Unavailable <sup>5</sup>
Incinerated	Consumption (tonnes)	24
	Expenditure (£k)	Unavailable <sup>7</sup>
<b>Total waste</b>	Consumption (tonnes)	635
	Expenditure (£k)	147

## Resources

We have reported on our estate water and energy use below. The stones/aggregate used in construction projects is also one of our significant areas of resource consumption, and is reported in the Sustainable Construction section of this report.

**Water:** We currently use more than the average for office water use per FTE across our office sites, and are looking at where we can improve.

**Table 3: Baseline Water Consumption**

Water supplied: Non-office use: - Mains supply - Abstraction - Rainwater	Consumption (m <sup>3</sup> )	4,468
	Consumption (m <sup>3</sup> )	73,428
	Consumption (m <sup>3</sup> )	34
Water use intensity (for Office use)	m <sup>3</sup> per FTE	5.0
Water supplied: Total	Consumption (m <sup>3</sup> )	87,566
	Expenditure (£k)	35
	Consumption (tCO <sub>2</sub> e)	30

Maintaining the wetland habitats at Newport Wetlands National Nature Reserve (designated SSSI and part of the Severn Estuary SPA, RAMSAR and SAC) is our largest water abstraction need<sup>7</sup> (62,591m<sup>3</sup> during the year). The wetlands have a highly variable water abstraction need. We also abstract water for our fish hatchery sites, and at remote sites (where mains water is not available)."

4 A more detailed breakdown of emission sources within scopes 1-3 is also available here: <http://naturalresourceswales.gov.uk/our-work/about-us/environmental-policy-statement/?lang=en>

5 We do not currently record this financial data, and will work to obtain this during 2014/15

6 Average = 4m<sup>3</sup> per FTE (Source: Water Key Performance Indicators and benchmarks for offices and hotels. C657 CIRIA [www.ciria.org](http://www.ciria.org))

7 Abstracted water is used in dry hot weather to maintain the correct water and salinity levels in the Newport Wetlands Saline Lagoons, vital for the many species of water bird that rely on them. In the Autumn, the abstraction is also used to ensure the reserve's lowland wet grassland is kept in the right condition to support overwintering birds.

**Energy:** In the last year we have generated 1.4% of our own energy use through the use of on site renewables (through wind, hydro and solar power). Our largest renewable installation (photovoltaic panels at the Maes Y Ffynnon office in Bangor) generated 26,059kwh during the year.

**Table 4: Baseline for Energy Consumption**

Resource use – Estate energy	Units	2013/14 (full year)
Energy used: Occupied sites	Consumption (kwh)	6,679,347
	Consumption (tCO <sub>2</sub> e)	2,329
Energy used: Unoccupied sites	Consumption (kwh)	930,846
	Consumption (tCO <sub>2</sub> e)	415
Renewable energy: Self generated	Generation (kwh)	89,625
	Consumption (% of energy used)	1.4
Energy used: Total	Consumption (kwh)	7,610,193
	Consumption (tCO <sub>2</sub> e)	2,744
	Expenditure (£k)	570
Renewable energy: Installed by others <sup>8</sup>	Consumption (MW)	59

There is also large scale energy generation on the wider estate we manage (the Welsh Government Woodland Estate) through the Cefn Croes wind farm, which has an installed capacity of 59MW. An Energy Delivery Plan has been drafted (covering wind, hydro, solar, biomass, coal, oil and gas), and we will be looking into opportunities to develop further onshore energy projects on, through or over the managed estate as part of our plan. Over the next five years we are already anticipating the amount of energy generated on the estate we manage will increase significantly (in excess of 700MW additional capacity provided via renewables, enough to power ~400,000 houses).

## Sustainable Procurement

We have been using legacy body procedures and systems relating to sustainable procurement in our first year, but work has started on developing our new sustainable procurement policy and strategy. Our new approach is likely to be risk-based, and will support the policy principles detailed in the Welsh Government’s Wales Procurement Policy Statement. Through our procurement decisions, and the targets we will set in 2014/17 as part of our overall strategy, we will work to ensure we deliver the most appropriate environmental, social and economic outcomes for Wales.

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<sup>8</sup> Schemes on the estate we manage which involve Developers leasing land from us on which to site installations of renewables (e.g. wind farms, hydropower schemes). Figures given reflect installed capacity of installations, as opposed to actual energy generation

## Travel

Our travel needs include: working to manage sites, responding to serious environmental incidents, taking samples, dealing with flooding, site meetings, etc. This year we have travelled ~11 million miles in undertaking our work.

**Table 5: Baseline Travel detail**

Travel by vehicle	Units	2013/14 (full year)
Owned vehicles	Miles travelled	6,562,934
	Expenditure (£k)	1,101
Lease vehicles	Miles travelled	2,154,755
	Expenditure (£k)	223
Grey vehicles <sup>9</sup>	Miles travelled	673,345
	Expenditure (£k)	74
Hire	Miles travelled	326,810
	Expenditure (£k)	14
Train	Miles travelled	1,405,603
	Expenditure (£k)	342
Air	Miles travelled	27,997
	Expenditure (£k)	8
Bicycle	Miles travelled	4,812
	Expenditure (£k)	0
<b>Total vehicle travel</b>	Miles travelled	11,156,255
	Expenditure (£k)	1,762

As part of work to reduce our environmental impact related to travel, we have a travel hierarchy in place. The travel hierarchy lays out the best to worst options for travel (for example, stating the use of public transport is better than other forms of vehicle use). We also operate a ‘no fly policy’ within Wales and England, requiring all air travel requests to be fully justified and cleared at Executive Team level.

## Environmental incidents

There have been 33 environmental incidents as a result of our work (or that of our contractors) and 3 near misses. One of these incidents was classified as serious (at category 2) according to the environmental incident classification scheme that we apply to environmental incidents. Where incidents occur as a result of our work (or that of our contractors), we review what has happened, and act to address the root cause of the incident.

## Sustainable Construction

Much of our construction activity is contracted out, and some of this activity is not covered by the figures below. We want to expand how much of our contracted out construction work is covered by monitoring in future years. Our projects make use of site waste management plans, to help plan, and reduce waste arising from them.

**Stone/aggregate:** We aim to use secondary source aggregates wherever it makes sense to do so and they are locally available, preventing any unnecessary extraction of primary aggregate. This year, 75% of aggregate we used has been from a secondary source.

**Table 6: Stone/aggregate use**

Resource use – Stone/aggregate	Units	2013/14 (full year)
Stone/aggregate – primary source	Consumption (tonnes)	63,923
	Expenditure (£k)	526
	Consumption (tCO <sub>2</sub> e)	703
Stone/aggregate – secondary source	Consumption (tonnes)	190,623
	Expenditure (£k)	10
	Consumption (tCO <sub>2</sub> e)	381
Secondary source use	(% by total weight)	75



**Timber:** We aim to ensure all the timber we use is from sustainable sources, and produce FSC/PEFC certified timber from the Welsh Government Woodland Estate we manage. We are bringing in a new timber procurement policy early in April 2014 and training key staff on the requirements of this.

## Site consolidations

We inherited a large amount of accommodation (e.g. depots, or offices) from our legacy bodies, some of which fulfilled a similar function at similar sites. We achieved some 'quick wins' in 2013/14 by moving staff from some of these sites, to others that were underutilised. This also enables us to sell on spare sites, and reduce our accommodation costs, and our carbon footprint related to accommodation. We will continue to consolidate our sites over the coming years.

## Governance and Reporting

We committed to 'understand, and control, our impact on the environment' as part of our Corporate Performance Dashboard for this year. Performance against this Corporate Dashboard measure was reported by the Executive Team to the Board (in open public session) three times over the year.

We collect the data used within this sustainability report through a combination of meter readings (e.g. gas, electricity), invoices (e.g. fuel card purchases) and suppliers data (e.g. train miles), using the most accurate source/s we have available. The data is checked by staff responsible for these data sets, and reported internally for review.

We have been working to improve the consistency of reporting over this year, as our legacy organisations often had different approaches to data recording (e.g. which sites record what waste data and how). Although the data we report is reliable, there is a need to ensure the consistency of collected and reported data is further improved in our second year.

# Annex 2. Natural Resources Wales Corporate Performance Dashboard Year from 1 April 2013 to 31 March 2014

This is an extract from the Corporate Performance Dashboard and the full Performance Report can be found on Natural Resources Wales website.





## Transition and Transformation

We become independent and have the capability to end reliance on Environment Agency and Forestry Commission services

We make 3-into-1 efficiencies and generate savings

We have a new approach to natural resource management

**We benefit regulated customers through a one-stop shop and our handling of casework**

Final Status	Target	2013/14 achievement
	Hit Mar 14 milestones and exit EA ICT in May 14	Milestones 90% delivered, but re-planned ICT
	Set up £90m of savings	Set up £47m of savings, and £123m in the pipeline
	Draft position statement in 2014/15	Position statement drafted
	Planning, permitting & enforcement improvements	100%





## People management

We manage our staff numbers

Our staff receive mandatory training

We manage absence levels

*We reduce health, safety and wellbeing lost time incidents*

Final Status	Target	2013/14 achievement
	1,850 FTE (March 2015)	1,953.8 FTE (March 2014)
	100% of staff offered training for mandatory needs	90% of staff offered training for mandatory needs
	7 average days lost per employee (3.1%)	6 average days lost per employee (3%)
	< 84 Lost time incidents	6 Lost time incidents

## Financial management






We maintain a low level of debt

We deliver value for money when procuring goods and service

[R] Our payment terms achieve Welsh Government benchmarks

Our expenditure is on track

Our income is on track

Final Status	Target	2013/14 achievement
	<= 1.5% of billed charge income (by March)	1.42% (£436,901) of billed charge income (by March)
	£500,000 in efficiencies (by March)	£565,000 in efficiencies (by March)
	>= 95% invoices paid within 30 days	98% invoices paid within 30 days
	+/- 1% of profiled expenditure at year end	Expenditure within 1% of year-end forecast
	-2% (or better) profiled income at year end	0% (£0.1m ahead) of profiled income at year end





## Service standards

More of our staff speak Welsh

[R] We respond to information requests on time

[R] We learn lessons from customer feedback (and have fewer complaints)

[R] We provide a comprehensive online service to our customers

Final Status	Target	2013/14 achievement
	Welsh learning levels maintained against baseline	Welsh learning levels maintained against baseline
	80% of all enquiries resolved within CCC	97% of all enquiries dealt with within CCC
	60% resolved at informal stage	64% resolved at informal stage
	Ranked top 1/3rd for Central Gov Websites	Ranked top 1/3rd for Central Gov Websites





## Environmental quality

[R] There are fewer serious environmental incidents

*We resolve issues at "high public interest" sites*

We deliver marine and protected species licensing

We issue licences on time

Final Status	Target	2013/14 achievement
	100% of serious incidents attended on time	85% of serious incidents attended on time (142 of 166)
	HPI plans in place on time	All sites have plans in place
	95% Licenses determined on time	94% Licenses determined on time
	95% Licenses determined on time	92% Licenses determined on time

## Environmental resilience

We provide environmental evidence and enable sustainable development in energy projects

We provide evidence to planning inquiries and progress planned development

We update Natura 2000 Core Management Plans

We maintain woodland certification for the Welsh Government Woodland Estate

We respond to statutory planning consultations on time

We give expert advice on Habitats Directive

Final Status	Target	2013/14 achievement
<span style="color: green;">■</span>	Evidence provided on time (100%)	Evidence provided on time
<span style="color: green;">■</span>	Critical sites prepared for wind energy work (by Feb)	Critical sites prepared for wind energy work
<span style="color: red;">■</span>	Revised plans published on time	Revised plans not published
<span style="color: orange;">■</span>	100% of audit actions resolved	97% of audit actions resolved
<span style="color: red;">■</span>	90% integrated responses to LPAs on time	69% integrated responses to LPAs on time (Oct - Mar)
<span style="color: red;">■</span>	Written guidance consolidated on time	Written guidance not consolidated on time

## Natural Resource based jobs and Enterprise

**We increase the number of visitors to our key sites**

**We help to deliver actions in the Wales Coastal Access Improvement Plan**

Timber is offered to market

More woodland estates are thinned

Management plans for the Dee and Burry Cockle Fisheries are in place

We further develop our enterprise capabilities

Final Status	Target	2013/14 achievement
<span style="color: green;">■</span>	50,000 extra visitors	51,490 extra visitors (by Dec)
<span style="color: green;">■</span>	Publish report on Wales Coast Path	Published report on Wales Coast Path
<span style="color: green;">■</span>	860,000 m3 of Timber (by Feb)	890,000 m3 of Timber (by March)
<span style="color: green;">■</span>	2,500 hectares of woodland (by March)	2,500 hectares of woodland (by March)
<span style="color: green;">■</span>	Draft plans submitted to Welsh Government	Draft plans submitted to Welsh Government
<span style="color: green;">■</span>	Strategy and revenue forecast completed	Enterprise strategy approved

## Flood Risk and Incident Management

We manage outbreaks of plant health pests and diseases

**We deliver innovative flood risk management solutions**

We improve protection from flooding to more properties

We protect more people from flooding in high risk locations

We increase flood warning coverage in high risk communities

We help manage the risk of tidal surge flooding

Final Status	Target	2013/14 achievement
<span style="color: orange;">■</span>	95% SPHNs served on time	95% SPHNs served on time, 82% comply with these
<span style="color: green;">■</span>	Action plan produced	Action plan produced
<span style="color: green;">■</span>	500 more households and businesses	1,205 more households and businesses
<span style="color: orange;">■</span>	Asset at target condition (99% for high risk)	Asset at target condition (97.1% for high risk)
<span style="color: green;">■</span>	58.2% people registered	58.2% people registered
<span style="color: green;">■</span>	Evidence provided	Evidence provided

## Health, Well-being and Community Involvement

**We identify specific actions to improve Wales' urban environment**

[P] **We help deliver the Rights of Way Improvement Programme**

[P] **We complete the iTree Eco project and partnership tree planting**

[P] **We help deliver the Come Outside Project**

We encourage more people to prepare for flooding

Final Status	Target	2013/14 achievement
<span style="color: orange;">■</span>	Draft strategy by March for Board subgroup	Strategy preparation nearing completion
<span style="color: green;">■</span>	ROWIP external evaluation completed	ROWIP external evaluation completed
<span style="color: green;">■</span>	Final Report for iTree Eco project (by February)	Technical report complete
<span style="color: green;">■</span>	Implemented Stage 2 workshops	Implemented Stage 2 workshops
<span style="color: green;">■</span>	16,000 more people more aware	16,834 more people more aware

## Environmental quality

We provide evidence and advise on the Marine environment

We understand, and control, our own impact on the environment

Final Status	Target	2013/14 achievement
<span style="color: green;">■</span>	Evidence provided on time	Marine SPA report preparation
<span style="color: green;">■</span>	NRW is ISO14001 registered	NRW is ISO14001 registered

**Key:**

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**status columns:**

This indicates we are not where we planned we should be



This indicates we are nearly on target (within 10%)



This indicates we are on target



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**font styles:**

Ministerial priority:

**Bold**  
**underlined**

Related to an area of Corporate Risk

*Italic*

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**tags:**

Reputation related measures

[R]

Partnership working related measures

[P]

[~]

**Notes:**

- The Corporate Dashboard shows the performance position for headline measures
- The Corporate Dashboard is supported by progress reports to the Executive Directors Team
- The Corporate Dashboard is also supported by summary reports to the Board

## Annex 3. Board attendance

Board Member	Possible Board Meeting -11	Attended	Possible Audit and Risk Committee - 7	Attended	Possible Remuneration Committee - 9	Attended	Possible Protected Sites Committee - 1	Attended
	<b>07/11/2012 - 12/02/2014</b>		<b>13/02/2013 - 14/03/2014</b>		<b>25/03/2013 - 14/03/2014</b>			
Mike Brooker	11	11	n/a	n/a	9	9	1	1
Hywel Davies	11	10	n/a	n/a	9	5	n/a	n/a
Ruth Hall	11	10	7	7	9	9	1	1
Madeline Havard	11	11	n/a	n/a	n/a	n/a	n/a	n/a
Harry Legge-Bourke	11	9	n/a	n/a	n/a	n/a	1	1
Peter Matthews (Chair)	11	11	n/a	n/a	n/a	n/a	n/a	n/a
Andy Middleton	11	11	7	5	n/a	n/a	1	1
Morgan Parry <sup>1</sup>	11	9	n/a	n/a	n/a	n/a	n/a	n/a
Nigel Reader (ARAC Chair)	11	9	7	7	9	6	n/a	n/a
Emyr Roberts (Chief Executive )	11	11	n/a	n/a	n/a	n/a	n/a	n/a
Lynda Warren	11	11	n/a	n/a	n/a	n/a	1	1
Paul Williams (RemCom Chair)	11	10	n/a	n/a	9	9	n/a	n/a

<sup>1</sup> Sadly Morgan Parry died on the 4 January 2014