



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

Annual Report & Accounts 2016/17



Noddir gan
Lywodraeth Cymru
Sponsored by
Welsh Government

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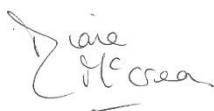
Chair's foreword

Looking after Wales' natural resources, and managing them in a sustainable way so that our wildlife and people can thrive, is a tremendous privilege. Introducing our Annual Report and Accounts gives me the opportunity formally and personally, on behalf of the Board, to thank all our staff for the fantastic work they do every day to deliver this. The talent and commitment of our highly skilled people is making a huge contribution in Wales, not only to the environment but to our wider Well-being Objectives, and to the continued development of our organisation.

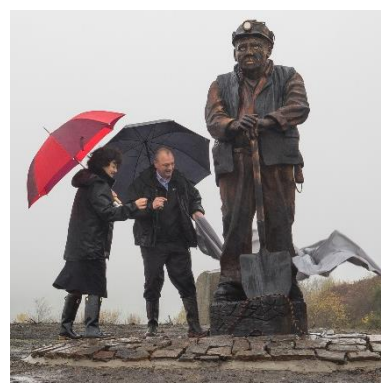
I have no doubt this will continue. We have a real opportunity to revolutionise the way we manage the natural environment within the new legislative framework in Wales, to manage natural resources in a different more sustainable way. Pursuing the sustainable management of natural resources is now at the heart of what we do, especially when working with the Public Services Boards across Wales.

As Board members during our many visits to sites, projects (like Llynfi below), and our meetings with partners, we have been struck by the sheer size and complexity of NRW and the issues we deal with. We have 1,855 people working throughout Wales focused on helping reduce the risk to people and properties of flooding and pollution, looking after special places for well-being, wildlife and timber, and remodelling our organisation to be fit for the future and our new ways of working. I certainly understand how this complexity can lead to frustration for customers, partners and at times our own people. This is not something we take lightly and as we move ahead with our change programme we will continue to engage and communicate with you to ensure we are open and accountable for our decisions and the actions we take.

Even so the road ahead isn't yet certain. We await Welsh Government's Natural Resources Policy which provides us with the focus for our approach to Area Statements, and the direction of our next Corporate Plan. Equally my own priority is to appoint a new Chief Executive to succeed Dr Emyr Roberts who, after five years with NRW will be retiring in the autumn. All the while our organisational change programme continues so that we are fit for the future. We are on track to deliver our initial road map by 2020 and we look forward to continuing to work with all our stakeholders and partners as we lead the way to the sustainable management of all our natural resources, in the most effective and efficient way, for the future well-being of Wales.



Diane McCrea MBE
Chair



Performance Report

Overview

Over the following pages we offer our Chief Executive's perspective of our performance this year and outline the purpose of our organisation, our main roles and responsibilities as well as explaining how we have managed delivery of our objectives this year.

Chief Executive's Statement

I am pleased to be able to report another successful year, and we have made great strides in both achieving our immediate objectives, and in re-orienting our work around our new purpose to sustainably manage the natural resources of Wales.

All our achievements have been delivered by our dedicated staff, who have very professionally managed their day jobs as well as embracing the changes which we are bringing in. I am grateful to everyone for their hard work during the year.

Our first State of Natural Resources Report has provided the evidence needed to help us all open up so many opportunities for how we care for and use the environment of Wales. Our Well-being Statement describes our own particular commitment to the future.

Crucially, Public Services Boards are up and running and we are privileged to be the only organisation represented on each of them. This means we are in a unique position to help develop the priorities of each Board and the contribution they make to their part of Wales, in a way that champions the environment.

In our daily activities, we have continued to make people's lives safer and healthier, ensured the sustainable use of our natural resources, while contributing to our communities and economic development. Our Healthy Hillides project (see p15) illustrates the kinds of multiple benefits which we are seeking in the way we work; there are very many other examples, and our thanks go to all the people and organisations that we work with for making the great things happen.

In terms of our overall performance, we have delivered most of our objectives for the year, but there are some areas where we have continuing challenges and where we will need to work differently with our partners in future if we are to make headway.

A particular frustration is the amount of resource which we are having to apply to dealing with environmental incidents such as waste fires and agricultural pollution. We would much prefer to be applying those same resources to more positive benefits for the environment. But we know just how important our partners will be in helping us find solutions.

The past year was particularly challenging in terms of our reduced financial allocation, and I believe that we have performed extremely well and maintained standards of service despite the austerity measures applied to us.

We are continuing to work through the issues identified in our 2016 People Survey, and we have had substantial input from our People and Teams Group, set up to respond to the issues, who are all committed to making NRW a better place to work. We are also committed to resolving Job Evaluation and to developing an organisation that is fit for the future.

This is my final annual statement for NRW as I will leave my post in the autumn. I have been immensely proud and privileged to lead the body through its early formative stages. It has been truly inspiring to witness the hard work and passion our staff have put in to transitioning to a single organisation, as well as developing new approaches to managing Wales' natural resources sustainably. I would like to thank everyone who has been associated with NRW's journey to date, particularly my work colleagues, and I wish them the very best for the future.

Dr Emyr Roberts
Chief Executive and Accounting Officer



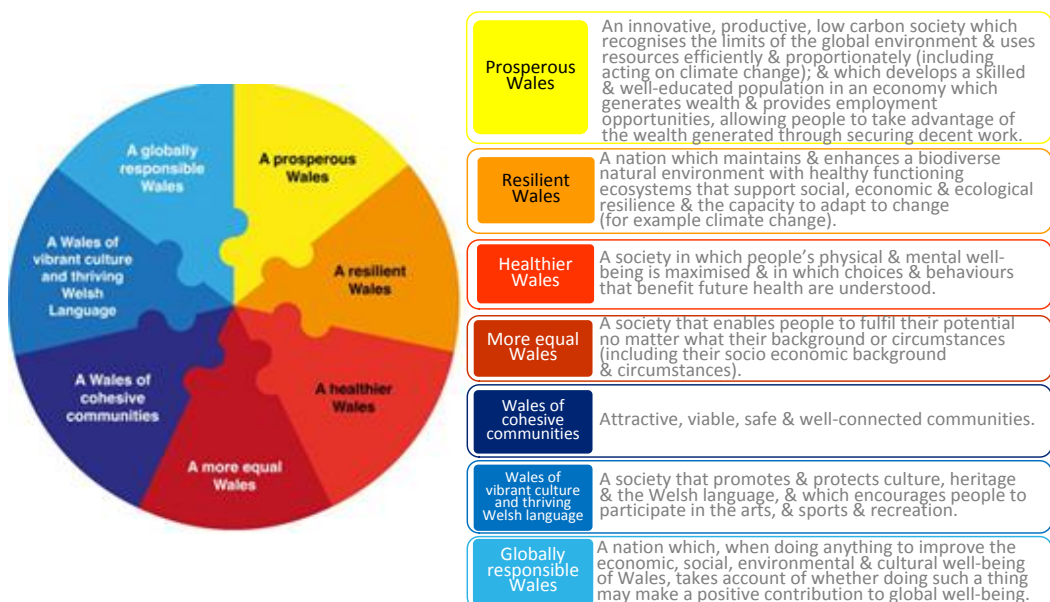
We are a Welsh Government Sponsored Body, created to **pursue the sustainable management of natural resources**. Wales is the first country in the world to create one organisation that brings together many of the tools needed to help manage our natural resources coherently. We can achieve much more by joining up our knowledge and services so they are working together to deliver sustainable outcomes. Our success depends on how we work together, living our values to create a better Wales.

Whilst our environment is worth £8 billion to the Welsh economy, we believe there is the potential to unlock much more for the people, communities and environment in Wales. We have the ability to adapt to the changing needs of society quickly, providing better services, making more informed decisions, and forming strong partnerships.

The themes of our first corporate plan demonstrated the multiple benefits that our work has on the Welsh environment, economy and communities. They also supported our first set of outcomes that we shared 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

We are now working to deliver Wales’ Well-being Goals which we will contribute towards through our new Well-being Objectives and next Corporate Plan 2017-2022.



Source: Welsh Government

Our key 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, and National Parks, as well as declaring National Nature Reserves
Responder	to some 1,400 reported environmental incidents a year as a Category 1 emergency responder
Statutory consultee	to some 8,000 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 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 1,855 staff, as well as supporting other employment through contract work and volunteering opportunities

Our people demonstrate our values through their work and 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.

There are several key areas that we recognise as **risks and issues** to manage in order to ensure delivery of our objectives.

Using the new principles of sustainable management of natural resources as **our new way of working** means we are moving to a more collaborative approach to partnership working. It is important that we identify and manage any liabilities of such working relationships to achieve best value for money for the public sector in Wales as well as ensuring delivery of key objectives of the partnership.

Much of our work is governed by legislation from the European Union. Following the UK referendum last year and the decision to leave the European Union, we are now following developments of **Brexit** negotiations closely as we are aware that their outcome could have a significant impact on our core activities and potential sources of external funding. More specifically we are feeding into Welsh Government advisory groups and will play a full part as actions are required to be taken in response to Westminster decisions.

We continue to **react both tactically and strategically to the continuing public sector austerity challenge**, working closely with Welsh Government to establish and manage our financial position. The short-term nature of our annual financial settlement brings uncertainty to our commitment to longer term plans and projects. We need to be prudent in our future assumptions from 2018/19 as a potential annual 5% reduction up to 2020 would create a funding gap of approximately £10 million which will be increasingly difficult to manage.

We recognise that our cloud-based ICT system is vulnerable to **cyber-attacks** therefore to maintain business continuity we continually assess our protection to ensure it is proportionate to the likelihood and scale of threat we face. We continue to develop and improve staff training and awareness to promote a culture of diligence when using ICT equipment and services which help us to manage resultant risks.

Results of our People Survey have shown that the **continual period of change** as a result of developing our organisation has been unsettling for our staff. Major projects such as Job Evaluation and Organisational Design, will continue to see changes that have direct effects on personal circumstances. We must remain mindful of the impact on staff and the potential that low morale or increased absences could have on delivery of our objectives.

Performance summary

We were created to look after Wales' natural resources and what they provide for us; to help reduce the risk to people and properties of flooding and pollution; to look after special places for well-being, wildlife and timber; and to work with others to help us all to manage them sustainably.

After four years, we have made a great start as recognised by the [Wales Audit Office Report into our development](#). Initially, we focused on becoming a standalone organisation, integrating our resources and reducing support from our legacy organisations. In the last two years, our emphasis has shifted to transforming our organisation to deliver more effectively, beginning to change our structures and our ways of working and ensuring we adopt the principles of the sustainable management of natural resources for the benefit of Wales.

We have done all this while continuing to deliver our core activities: responding to flooding and pollution incidents; building and maintaining flood alleviation schemes and supporting communities through flood awareness work; protecting and promoting the resilience of our ecosystems and biodiversity; providing advice and guidance to developers and land managers; issuing permits, licences and consents and ensuring compliance with their conditions; developing renewable energy schemes; providing and collating scientific evidence and managing our forests and nature reserves.

It hasn't been easy. Balancing our financial position with the need to prioritise our resources and find new and innovative ways of delivering services as efficiently as possible is a constant challenge.

Looking ahead, the Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016 give us a real opportunity to revolutionise the way we manage the natural environment in Wales. We know we need to stop and then reverse biodiversity loss, and ensure our ecosystems are resilient enough to continue providing the services and benefits we need to live. We also need to encourage businesses to adopt the highest social, cultural and environmental standards, and to balance these interests with economic performance, thereby delivering green growth and making Wales competitive, successful and sustainable. Our continued transformation to implement the sustainable management of natural resources principles is crucial to ensuring they endure for us and future generations.

About us

2016/17 in numbers

Our achievements

Cynnal Cymru

Sustainable Public Service 2016 Award

Wales Green Energy Awards

Best Use of Renewable Energy in the Public Sector

184 on **Stonewall UK Workplace Equality Index**

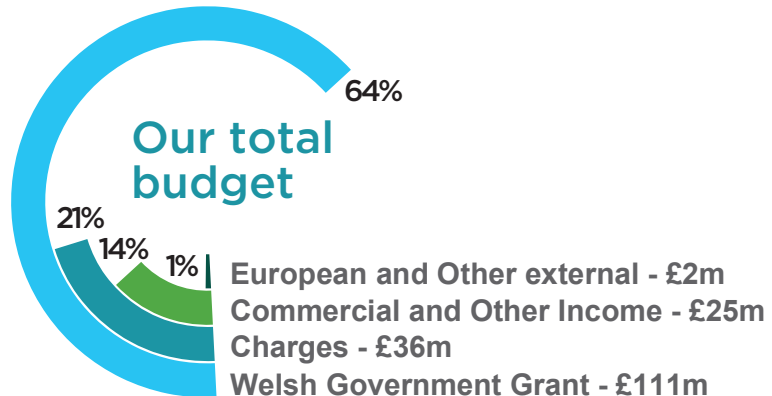
2017

Our Accreditations

UK Woodland Assurance Standard maintained

ISO14001:2015 certification achieved

Disability Confident Employer



1,855 employees (FTE)

Our Operations



reported
environmental
incidents

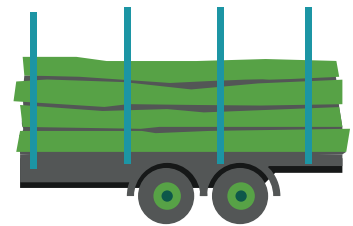


successful prosecutions
for environmental
offences

3 new Sites of
Special Scientific
Interest
designations



880,600m³
of timber to market



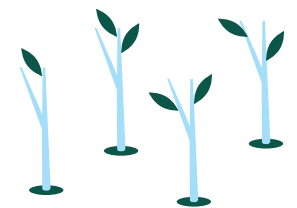
1,078
properties benefitting
from reduced risk
of flooding



13,565 people more
aware and prepared for
flooding



7,993
responses to planning
consultations



448 hectares of
land replanted

Responding to our customers



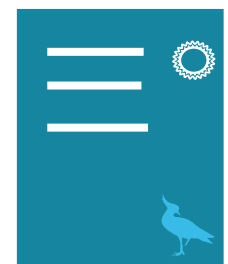
14,178
emails received



98% of telephone calls
answered within 15 seconds



open data sets available
through Welsh Government
Hub Lle



635 environmental
permits determined

Performance Analysis

Our performance analysis describes how we design and scrutinise our performance framework; provides information on our key measures, and more detailed examples of how we are working towards achieving our objectives.

As a Welsh Government Sponsored Body, our primary role is to fulfil our statutory responsibilities and to meet the aims established for us by the Welsh Ministers. Our objectives are set both through a long-term outcome approach and an annual Remit Letter to establish areas of our work that require a particular focus. To meet these objectives, we prepare a longer term corporate plan, supported by an annual business plan and performance framework. These documents are all available on our website at <http://naturalresources.wales/about-us/strategies-and-plans>

This is our final report against our Corporate Plan 2014-2017 and we use its five themes: Good Knowledge; Good Environment; Good for People; Good for Business; and Good Organisation, to structure our Business Plan 2016/17, Performance Framework and this Performance Report. As part of our Performance Framework, our dashboard tracks longer term trends through *indicators* that our work contributes to, as well as annual operational *measures* that we control delivery of. This year, of 33 indicators and measures on our Business Plan dashboard:

- 19 met the target set
- 12 were within 10% of the target set
- one was not where we wanted it to be; and
- one was not assessed this year.

Our progress is monitored by our Board and Welsh Government and published on our website three times each year. The final performance dashboard for 2016/17 is available on our website at www.naturalresources.wales/about-us/strategies-and-plans/how-well-are-we-doing

This year we published our first [Well-being Statement: Managing today's natural resources for tomorrow's generations](#), implementing the Well-being of Future Generations (Wales) Act into our corporate planning process, working with staff and external stakeholders to develop our new Well-being Objectives. These will now form the base of our next Corporate Plan, which we will publish in 2017, that will outline how we will address priorities from Welsh Government's Natural Resources Policy and Public Services Boards Well-being Objectives.

Our performance framework will evolve over future years to establish delivery against our new Well-being Objectives and share how we are using the nine sustainable management of natural resources principles in our work.

The following pages of this report outline examples of how we are working to deliver our objectives as well as our key performance information this year and a look at deliverables at the end of our first Corporate Plan.

Good Knowledge: gaining wisdom and understanding of our natural resources and how we affect them – using evidence and applying learning from experience, so that we make good decisions.

Our role involves gathering evidence and offering advice on environmental matters to inform the decisions of others as well as our own.

Our objectives

- We will develop Wales' approach to integrated natural resource management, using the ecosystem approach as a basis for decision making.
- We will ensure we have a good understanding of our environment, economy and people in Wales, and of Wales' place in the world, and will continue to review our evidence to ensure that it is fit for the challenges facing the natural resources of Wales.
- We will develop and manage a sound evidence base to support our strategic and operational decision making and inform decision making by others.

2016/17 Headlines

- Published Wales' first State of Natural Resources Report
- 132 open data sets available through Welsh Government Hub Lle
- Responded to 58 public consultations
- Presented evidence to six National Assembly inquiries/scrutiny sessions
- Hosted Wales' First Coastal Practitioners Conference showcasing work to manage our coastline for the benefit of the environment, people and the economy

Investing in our natural resources and making our ecosystems more resilient is vital to provide a better life for wildlife and future generations in Wales. Our [first State of Natural Resources Report](#) (SoNaRR), published this year, makes a direct link between the condition of our natural resources - our air, soil, water and the biodiversity that underpins them - and the impacts on people's health, economic prosperity and social wellbeing. The report also highlights the issues facing our natural habitats for important and iconic wildlife species. For our natural resources to continue to provide for us and be a place for wildlife to thrive, we need to better understand the consequences of our actions and look after them better.

Therefore, SoNaRR provides a vital national evidence base for collaborative action to tackle the issues and challenges

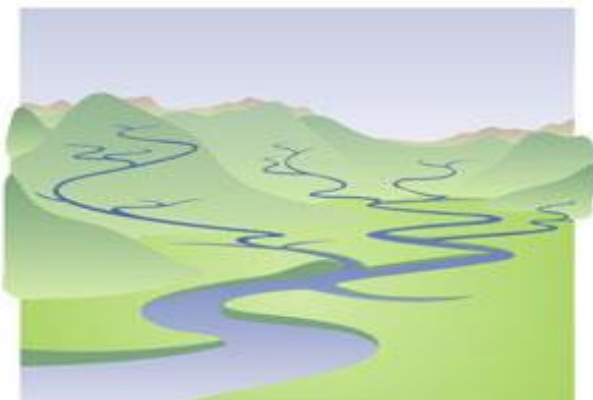
facing our natural resources and ecosystems. We highlighted seven areas that offer the greatest opportunity for dealing with the challenges and risks and will work with policy and decision-makers across the public sector to start considering the key risks to natural resources and the long-term benefits that they provide, in all that they do.

Opportunities to manage our natural resources better:

- building more green spaces into our urban areas
- increasing woodland cover
- managing our coastline more effectively
- restoring our floodplains
- better soil and land management
- restoring peatland and our uplands
- managing marine ecosystems

Continuing to develop Wales' approach to integrated natural resource management is key to how we restructure and plan our future work. Working with stakeholders and members of the public has been a significant focus for us this year to develop our approach to Area Statements. Although a requirement for us to deliver under the new Environment (Wales) Act, Area Statements will also explain how to address the priorities set out in Welsh Government's new Natural Resources Policy (due early summer 2017) using the sustainable management of natural resources (SMNR) principles.

We anticipate there will be six statements covering all of Wales and a seventh covering our marine environment. Each will explain what natural resources are in that area; the benefits they provide; and the priorities, risks and opportunities that need to be addressed. We will also explain how the SMNR principles **have** been applied in preparing the statement, and **will** be applied in addressing the priorities, risks and opportunities.



As we seek to collaborate with partners to ensure sound evidence is central to decision making, we are pleased that our first joint accommodation project has been successful as we relocated our laboratory for scientific analysis to a brand new facility at Swansea University's Singleton Campus. At the new laboratory, staff will continue to carry out our essential environmental analysis work, such as testing the water quality of more than 2,000 bathing water samples every year, analysing samples from pollution incidents as well as developing the services it provides to a wider commercial client base.

A major improvement to our flood risk forecasting service this year is helping to keep those at risk of flooding better informed of the likelihood of flooding and how severe the impacts could be.

A new five day flood risk forecasting service, replacing the three day outlook previously available, was created in partnership with the Environment Agency and the Met Office using information from a range of meteorological, river, coastal and surface water forecasting models and decision tools.

Updated daily, and more frequently when there is medium or high flood risk, the five day flood risk forecast, available on our website at www.naturalresources.wales/flooding/5-day-flood-forecast gives an overview of flood risk at local authority level in Wales and England from rivers, the sea and surface water. Extending the forecast gives the public access to the same outlook period as was previously only available to professional partners such as the emergency services and local authorities.

2014-2017 progress



Implementation of the Environment (Wales) Act and the Well-being of Future Generations (Wales) Act are central to how we operate therefore we have taken time to acknowledge the nine principles of Sustainable Management of Natural Resources and the Sustainable Development Principle's five ways of working and what they both mean to us and those around us in practice.

We completed three successful Area Trials in Rhondda, Tawe and Dyfi catchments to test practical ways of working for wider adoption across the organisation and work with external stakeholders. At their heart, the trials have been about engaging at a local level with a broad range of stakeholders, in particular local authorities, to: understand the issues; gather evidence; and look for opportunities for how natural resources can be managed in a way that supports environmental, social and economic prosperity.

We have played our part in the establishment of the new Public Services Boards (PSB) across Wales and recognise our unique position of being the only statutory member to sit on each PSB. We provided significant evidence on natural resources and local environment as part of PSBs first Well-being Assessments.

Good Environment: ecosystems are resilient and secured for the future, wildlife and landscapes are enhanced, and the use of our natural resources is carefully managed

Our roles as an operator, regulator and designator contribute to sustainably managing the land and water we're responsible for, protecting and improving the environment in Wales, halting biodiversity loss and making Wales more resilient to climate change.

Our objectives

- We will be an exemplar in the way that we manage sustainably the land and water that we are responsible for, and help others do the same.
- We will help protect and improve the quality of our air, land, sea and water.
- We will play our part and work with others to halt biodiversity loss in order to help ensure that, by 2020, ecosystems are more resilient.
- We will help to make Wales more resilient to climate change and other impacts, as well as supporting global efforts to reduce emissions of greenhouse gases.

2016/17 Headlines

- 1,061 hectares of diseased larch felled
- 448 hectares of land replanted
- UK Woodland Assurance Standard retained
- ISO14001:2015 certification achieved
- Won Cynnal Cymru's Sustainable Public Service 2016 Award

Using the evidence from our trial areas, our State of Natural Resources Report and work to embed the principles of sustainable management of natural resources, we can see our operational work changing.

As part of the [Healthy Hillides](#) project in the Rhondda Valleys we are pro-actively managing the hillsides with partners to help reduce the risk of wildfires and look after Wales' wildlife.

Bracken has come to dominate many of the area's hillsides and without management it can impact on the habitats of other wildlife as well as increase the risk of wildfires. Wildfires can devastate local habitats and wildlife and pave the way for more bracken growth, starting the problem all over again. Using more traditional methods to manage the vegetation, we can limit its supply of nutrients, weakening the plant and limiting its ability to grow. This helps to reduce the size and severity of wildfires, whilst also giving a boost to the biodiversity of the area.



Our partnership approach also won Cynnal Cymru's Sustainable Public Service 2016 Award.

Implementing the sustainable management of natural resources principles is starting to change what and how we deliver our work, particularly on and near the land we manage. We continue tree felling close to Coedydd Aber National Nature Reserve in Snowdonia in order to replant native broadleaf trees to improve biodiversity and the overall landscape. We have already replanted 13,000 native broadleaf trees; the latest felled area will be

replanted next winter and we plan to expand the broadleaf by another square kilometre over the coming years.

In doing so, we have successfully trialled a new harvesting technique which has not been used very much in the UK. The steep slopes make harvesting the site quite challenging but we were able to employ a mobile winch system, which not only allowed the harvesting machines to navigate the terrain but also caused less erosion than more traditional techniques and we will be using this again for the next phase of felling scheduled for September 2017.

To improve the resilience and quality of the environment in Wales we continue to monitor and oversee management of Sites of Special Scientific Interest (SSSI). We designated three new sites this year to help conserve and protect the best of our wildlife, geological and physiographical heritage for the benefit of present and future generations.

For example: hugely popular with walkers, attracting thousands of people a year to visit the Iron Age hillfort and medieval castle, the geological features at Dinas Brân in Llangollen are well known and have been protected since 1957. Now, the area's grasslands and plant life have received national recognition too through SSSI status. The grasslands found here are scarce in lowland Britain and rare plants including the upright chickweed, shepherd's cress and greater broomrape and important species of birds and butterflies that also

rely on the grassland and other habitats will be able to thrive.

As collaboration and sound evidence are key to our new way of working we are pleased to have supported the Botanical Society of Britain and Ireland in a world first project in the creation of Wales' Rare Plant Register, a complete record of every Welsh county's rare flowering plants and ferns. The county registers are online and can be viewed at <http://bsbi.org/rare-plant-registers>

While many of these rare plants are in decline, every single species plays an important role in the fabric of our natural environment. It is vital that we work to protect our wildlife and prevent these declines. The register gives comprehensive and accurate evidence, so people working in plant conservation can now identify sites for rare plants in all counties confirming that Wales has an extraordinary diversity of natural features.

As a key partner in the [Living Levels Programme](#), an RSPB led landscape partnership scheme funded by the Heritage Lottery Fund on the Gwent Levels, we are developing and advising on a range of projects that will collectively restore, enhance and protect the natural and historic heritage and re-connect people with this area.

By leading on work to tackle Flytipping and Invasive Non-Native Species, and offering advice and support on a variety of other projects, for example on access and land management, we will help to ensure that the Gwent Levels will be better managed; in better condition and better recorded. Strong community involvement is considered critical to success and we will engage with local communities to both gain and further local knowledge, develop people's skills, and improve appreciation for the landscape and its heritage so that it is a better place to live, work or visit.

Several external campaigns across our different communications platforms have helped us to champion the environment and help people across Wales to value and take action to protect our natural resources.

- Love Pollinators – Highlighting the threat to pollinators worldwide, our social media campaign raised awareness of the vital role they play in the agricultural industry and how we can help to look after them, engaging people via photography using #pollinatorpaparazzi #lovepollinators
- Report it! – While launching our new incident reporting telephone number 0300 065 3000, we updated our website and communication messages to clearly state what incidents we can and cannot deal with, helping to focus calls to the right authorities so incidents can be dealt with more appropriately
- Agricultural Waste Exemptions – Helping farmers to submit waste exemptions before the September 2016 deadline, we worked with partners to share messages of what and how to register through industry newsletters, mainstream media, agricultural events and social media.

2014-2017 progress



Compliance with the 'Good' status of waterbodies under the European Union's Water Framework Directive (WFD) in Wales is not where we would like it to be but has seen some improvement in recent years. The baseline is 37% of water bodies meeting good or better overall status in Wales and we have committed to get to 42% by 2021. A national delivery plan has been produced for this six year

cycle, to ensure that we are on target to meet our objectives. Operational work responding to incidents and associated follow up work is contributing to ensure "no deterioration" but there is still work to do with our stakeholders through the WFD Liaison Panels.



Biodiversity across Wales remains a concern to us. The condition of Annex I habitats and Annex II species within the SAC series in Wales is predominantly unfavourable, with just 24% currently considered favourable. Our work alone will not achieve the required improvements in the condition of site features. A wide range of actions, currently undertaken by, among others, private land owners, Welsh and UK Government, and partner organisations, are targeted at maintaining or improving the condition of

features within the Natura 2000 network. Significant resource is being applied to our programme of prioritised actions for special sites. This status has remained static for the last seven years and falls short of the 95% target in the Environment Strategy for Wales.

Work next year and beyond to develop our approach to our new Duty under Section 6 of the Environment (Wales) Act will seek to address biodiversity and resilience across Wales. And work collaboratively with Welsh Government and others to deliver actions identified to deliver the Nature Recovery Plan objectives.

Good for People: people are safe, and enjoy and benefit from our natural resources and understand their relevance in our day to day lives

Our roles as an operator, regulator, responder and educator are keeping people safe and encouraging people to visit the Welsh environment.

Our objectives

- We will deliver an effective and co-ordinated response to environmental incidents and risks, such as flood events, pollution and disease outbreak, and help decrease the risk of flooding to people and properties.
- We will provide and enable recreation and access opportunities which contribute to improving people's health and Wellbeing.
- We will help ensure people are able to live, work in, and visit a good quality environment, including those in urban areas and those in our most disadvantaged communities, and will channel economic benefit to help tackle poverty.
- We will provide and enable opportunities for people to learn in, and about, and enjoy the environment.

2016/17 Headlines

- 13,565 people more aware and prepared for flooding
- 1,078 properties benefitting from reduced risk of flooding
- New Integrated Incident Categorisation Scheme completed
- New Mountain Bike Skills Area at Bwlch Nant yr Arian

Three major flood alleviation schemes are now helping reduce the risk of flooding to properties in Risca, Caerleon and Tabbs Gout following their completion this year. We have also consulted with communities on future schemes to share how these schemes will be implemented and look for ways we can provide additional benefits to the communities through our work. Engaging communities in Crindau, Roath and St Asaph through drop-in sessions and leaflets we have explained the options for future schemes and additional benefits identified include improving the outdoor reading area at a primary school, supporting allotments, developing a raised flower bed project at a community centre and including public art as part of the scheme.

Two new running trails in the Dyfi Forest and a new mountain bike skills area at Bwlch Nant yr Arian are encouraging people to become more active and enjoy the outdoors. Increasing the number of recreation and access opportunities at sites we manage is part of our commitment to helping people to live healthier and more fulfilled lives, preventing longer term health and well-being issues in future generations. Involving local businesses and running clubs we have designed routes and launched the trails to connect people with nature and to strengthen the local economy, we're bringing together local guides and instructors who can help visitors and locals take advantage of these great resources.

Changes to how we manage [rod licences](#) will also contribute to physical and mental well-being through increased activity and help people to connect with nature in all its forms. This year we introduced:

- a free rod licence for 12 to 16 year-olds encouraging more young people to give fishing a go and boost the future of the sport. Junior anglers will still need to register online before they go fishing
- a rolling rod licence which lasts for 365 days from the date of purchase – rather than running until the end of March regardless of when it was bought
- a single licence to cover the use of three rods for specialist coarse fishing rather than two.

43.4 million day visits to the Welsh coast in 2014 included walking as an activity, our survey found in October 2016. These visitors spent £84.7 million in the coastal economy, supporting 990 jobs. We continue to invest an average £900,000 per year to maintain, improve, market and monitor the Wales Coast Path, the majority of which is distributed as grant funding to our 15 local authority partners for delivery of work on the ground but also supports our two national co-ordinating staff and four regional Wales Coast Path Officers. Throughout the year our officers continue to market the route through the Wales Coast Path website and social media channels engaging with approximately 19,200 twitter followers and 13,900 facebook users.

Our Buckley office hosted our first Lift placement this year as part of a Welsh Government initiative providing training and work experience for long-term unemployed people in Wales. Working as a fleet and facilities assistant for eight weeks duties included carrying out health and safety checks on NRW's fleet vehicles and office buildings and providing other staff support services.

Over the next 18 months, we aim to provide 30 Lift placements Wales-wide. We hope the opportunity to gain new skills will put individuals in a better position to find employment and help to prevent longer term poverty in Wales.

2014-2017 progress



With 208,500 properties in Wales at risk of flooding we have continued to reduce the risk of flooding through capital projects where we can. Despite changes to our flood risk management budget we have continued to meet or exceed our target of reducing the risk of flooding to 500 properties each year since we were created, with a total of 2,201 properties across Wales now in lower risk categories since 2014/15.



With one in six people in Wales living or working in an area at risk of flooding and with extreme flood events becoming more frequent, we have continued to work with communities, businesses and individuals to help them take practical actions before, during and after a flood.

Along with continuing our free flood warning service, this year we have seen our 1000th flood plan completed. Flood plans help people be best prepared should flooding occur for example in the case of individuals this might include checking

insurance details or reminders to make personal items safe and note important contact details. Community flood plans would include details of safe gathering points and information about people who would need help during an emergency while business flood plans not only focus on the immediate effects of flooding but also on ensuring disruption to the business is kept to a minimum.

Good for Business: a 'location of choice' for business and enterprise, and a place where best practice environmental management is adopted and encouraged

Our roles as a manager, advisor, regulator and statutory consultee are supporting businesses working with the natural environment and benefiting the Welsh economy.

Our objectives

- We will, as a regulator, provide evidence based advice and clear decisions in good time to enable businesses in Wales to operate effectively and achieve the highest environmental standards.
- We will work with business, industry and government to support the development of critical infrastructure and encourage development in the right places to ensure the sustainable management of our natural resources.
- We will work closely with others to identify, develop and support new business opportunities and new opportunities for jobs and training to create a skilled workforce in Wales.
- We will grow our income within our purpose, reinvesting that income to provide further public benefit.

2016/17 Headlines

- 880,600m³ timber to market
- 142 successful prosecutions for waste, water quality and fisheries offences
- Won 'Best Use of Renewable Energy in the Public Sector' at Wales' Green Energy Award

Implementing the sustainable management of natural resources principles involves taking a wider perspective when planning and delivering our work. Our advice to partners and customers is helping to generate multiple benefits for the people of Wales. Effective collaboration with businesses such as energy provider Vattenfall at Pen y Cymoedd is helping to deliver energy security for future generations as well as optimal peatland habitat restoration, native tree planting to compensate for tree loss, and an exciting new £350,000 Blade mountain bike trail at Afan Forest Park as well as an annual income to the Welsh Government as landowners. The project will not only generate enough electricity to power 140,000 homes every year, it is also creating jobs, providing a £1.8 million per year to a community fund shaped by local people, for local people, and investing money into ongoing habitat restoration and nature conservation.



Air quality monitoring in Port Talbot has shown the best results for local air quality for over eight years making a real difference to the lives of approximately 13,000 people who live in the area. Preserving and improving the quality of the air we breathe through permitting and regulating Wales' most polluting industries is an important part of our work to ensure a healthier, more prosperous and globally responsible nation. As Wales' only declared Air

Quality Management Area, Port Talbot is a significant focus due to levels of Particulate Matter 10 micrometers or less in diameter (PM₁₀) that are found and harmful to our health.

In 2016 we were pleased to see that the daily average limit of PM₁₀s was breached on only eight days last year against UK objectives that state that it should not be exceeded more than 35 days in one year. We work with Tata Steel and the local community, local authority as well as Welsh Government and National Air Quality experts to ensure our combination of regulatory interventions and improvements has, and continues, to make a difference.

A new online profile of the [Burry Inlet fishery](#) is helping to inform the industry of its cockle stocks and to help boost the local economy. Working with Seafish, an industry body that aims to support a profitable, sustainable and socially responsible future for the seafood industry we created a tool that allows details such as stock status, bycatch and habitat risk of the cockle bed in South West Wales, to be shared internationally with licence holders and potential buyers. We hope that making more information available to seafood buyers and processors will increase competition and drive up cockle prices, benefiting licence holders and the local economy in the longer term.

The profile is available on the Seafish's [Risk Assessment for Sourcing Seafood](#) (RASS) website, which provides UK seafood buyers and processors with information on the status of fish stocks and the environmental impacts of catching them.

This year we saw the ninth year in succession for the cockle beds to open on the Dee Estuary since a licensing system was introduced. The system limits the number of people allowed to gather cockles so that the fishery is managed in a sustainable way to benefit cocklers, birds and the wider environment.

Last year, cockle stocks were low but a vast spatfall (young cockles) appeared late last summer, which meant a large number of small cockles were available. Now, 53 licensed cocklers adhere to a number of regulations such as the type of equipment used, the hours when cockling can happen and a daily harvesting quota of how many cockles can be harvested, striking the right balance, ensuring enough cockles for the industry, for the estuary's important population of wading birds and to regenerate the beds for future years.

Our enforcement action continues to help protect the environment while working to create a level playing field for legitimate businesses. We took action against two organisations in North Wales that were illegally storing and transporting around 200 tonnes of waste. Our environment officers discovered that mixed soil, construction and demolition waste, road planings, leaf litter and green waste was being stored at a depot without a permit; and on asking that it was removed to an authorised waste facility we noticed a few days later a second operator depositing the waste in a nearby field – an activity that was not permitted. This waste, which can be contaminated with hydrocarbons and heavy metals, was deposited in and around a stream which was risking polluting the watercourse and affecting water quality. There was also a risk for soil waste entering the stream affecting fish and invertebrate habitats. Finally, the unauthorised waste was quarantined and taken

to a waste site that could accept it. The organisations were fined £73,400 and £14,200 respectively with court costs of £3,900 and £1,740.

In 2016, 142 prosecutions for waste, water quality and fisheries offences saw the courts impose fines totalling £239,521.00 and award costs of £113,876.60 to NRW. Further information on our enforcement work can be found in our 2016 Regulation Report on our website at www.naturalresources.wales/about-us/strategies-and-plans/how-well-are-we-doing

2014-2017 progress



Following implementation of a single Development Planning Advice Service our performance in responding to planning applications within statutory or agreed deadlines has continued to improve, meeting our target of 95% for the last two years. We are monitoring the effectiveness of our advice when responding to development plans which has attained a score of 80%. We will seek to build on this through increased collaboration and a focus on the long term in our new ways of working.



Development of a single permitting licencing and consenting service has seen our performance improve to 95% of permits, licences and consents being determined within statutory or agreed timescales. Various Continuous Improvement projects are driving positive changes including improvements to website and application forms, customer survey, quarterly newsletter to inform customers of changes and initiatives.



Positive timber market conditions and greater demand, along with successful energy delivery projects and disposal of our assets – including land, buildings and fleet – have contributed significantly to meeting our commercial income target each year as we have progressed our enterprise activities. The rise from £17.7 million in 2014/15 to £26.2 million in 2016/17 is pleasing and we hope this will continue as we seek new opportunities through using sustainable management of natural resources principles.

Good Organisation: We want to be well led and well managed, with suitably skilled and experienced staff and effective underpinning systems and processes; transparent in our decision-making and continuously improving our service to customers and partners, benchmarking ourselves against the very best.

Our work as a manager and employer is helping our transformation to become an exemplar public service organisation.

Our objectives

- We will continuously improve our services to customers and our relationships with stakeholders and partners through open and collaborative approaches.
- We will work more efficiently and grow our income, within our purpose, so that we can use these savings to provide greater public benefit.
- We will develop a culture that supports our values, increases our skills base, enhances our flexibility and diversity, and improves our standards of health and safety.

2016/17 Headlines

- Reduction from 1,423 to 465 ICT applications since 2013
- Achieved ICT independence from legacy bodies
- 315 staff learning Welsh
- Number 1 on UK Central Government Index for Website Accessibility

Rationalising our accommodation has remained a priority this year, with successful moves completed in North and South Wales. Following the mothballing of Plas Penrhos in Bangor, staff have now moved from Llyn Brain into Maes y Ffynnon, co-locating all our Bangor staff at one site. The relocation of our original Laboratory in Llanelli as well as the closure of smaller sites, for example Rudry, have made for more cost effective options for accommodating our staff.

Our Teams and People Strategy (2016-20) set out our priorities to support leaders and managers do their jobs well and committed to ongoing learning and development of our people. Our management development framework has been devised to offer blended learning across all management levels in NRW, from eLearning, webinars and formal courses. All of Executive Team and Leadership team have begun a development programme to support leadership competence and confidence which will continue into 2017/18. 56 staff attended TYFU, a tailored programme focusing on core leadership skills and what NRW expects of its leaders and managers. A further 30 staff have attended Team Leader Development Programme aimed at new Team Leaders and Managers and those aspiring to a role in management.

Our transformation portfolio has now shifted its focus to the future, ensuring we are able to meet the challenges ahead such as meeting our new purpose, adapting to the changing legislative context in Wales, and delivering our ambitions within a financially challenging environment. We have completed a Business Area Review programme, to identify work that can stop, work that needs to be done differently, and work that we need to do more of, whilst at the same time examining alternative forms of delivery. This led to a Senior Management Review, restructuring our Directorates and Leadership Management Teams

to enable us to deliver integrated design, in line with Sustainable Management of Natural Resources (SMNR) and Well-being of Future Generations (WFG) Act principles; promote joined up thinking, and focus on local or Wales wide solutions as needed.

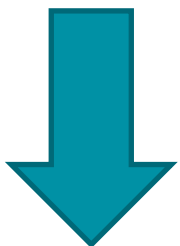
Developing a Job Evaluation scheme in partnership with our Trade Unions that is affordable to the organisation whilst being fair and equitable to all our staff has been our priority this year. Staff received their results in March 2017 however following a Trade Union vote whether to implement the proposal or not, we were disappointed that the scheme was not agreed. We are now working with Trade Unions to understand the reasons behind this result and will seek to negotiate a solution as soon as possible.

2014-2017 progress



We are pleased that following our initial transition and transformation phases we can show that we are achieving what was expected and have made the savings expected of us in the original Business Case for the creation of our organisation.

We have established ourselves as a standalone, integrated organisation that has started to deliver better outcomes through streamlining our services and joining up our approaches. By the end of March 2017 we had made changes that will accumulate £141 million of cash and a further £30 million of non-cash realisable benefits by 2022/23. This total of £171 million compares with the Business Case's target of £158 million over the same time frame. This has been achieved against a backdrop of decreasing Grant in Aid from Welsh Government



We were disappointed that our 2016 People Survey showed a decrease in our staff engagement score from 48% in 2015 to 41% against a target of 58%. It is clear from the results that we need to do more to support staff through what remains a challenging time of change in our organisation. We created our People and Teams Steering Group in response to address engagement, empowerment, behaviours and processes through increasing visibility of our leadership team, more face-to-face discussion and involvement with our staff as well as reviewing delegation limits and increasing support for new systems.

Dr Emyr Roberts
Chief Executive and Accounting Officer

Date: 14 July 2017

Accountability Report

Our Accountability Report outlines key features of how we manage our organisation. Over the following pages our Corporate Governance report explains who our Board and senior management team are, how they work and the governance arrangements in place to ensure effective management and oversight of our resources to achieve our objectives. Our Remuneration and Staff Report describes how we address Board and senior management pay as well as providing an overview of the make-up of our staff numbers. Our Parliamentary Accountability and Audit Report brings together additional requirements requested to demonstrate our accountability to UK and Welsh Governments, regularity of expenditure and the final opinion from our Auditor.

Corporate Governance Report

Directors' Report

We employed five Executive Directors and two Directors who, along with the Chief Executive and a former Director of Governance, formed our Executive Team during 2016/17.

Position	Post Holder	Length of Service
Chief Executive	Dr Emyr Roberts	1 November 2012 – present
Executive Director of Finance and Corporate Services	Kevin Ingram	1 April 2013 – present
Executive Director of Evidence, Policy and Permitting	Ceri Davies	1 April 2013 – present
Executive Director of Operations (North and Mid)	Tim Jones	1 April 2013 – present
Executive Director of Operations (South)	Gareth O'Shea	27 April 2015 – present
Executive Director of Organisational Development and People Management	Ashleigh Dunn	17 November 2014 – present
Director of Customer, Communications & Information	Catherine Smith	22 April 2014 – present
Director of Governance	Clive Thomas	1 April 2013 – 31 October 2016
Director Transformation Portfolio	Niall Reynolds	1 April 2013 – present

Our Executive Team Register of Interests is available on our website.

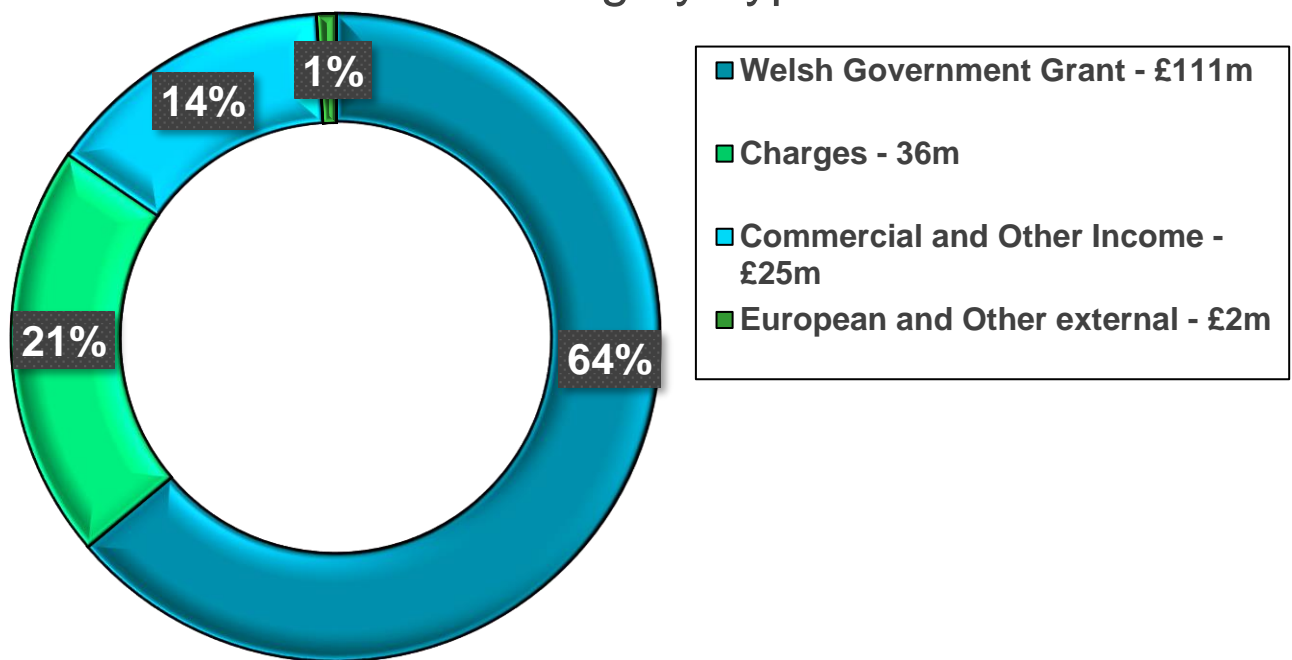
www.naturalresources.wales/about-us/our-chair-board-and-management-team/how-we-are-managed

Managing our finances

Funding

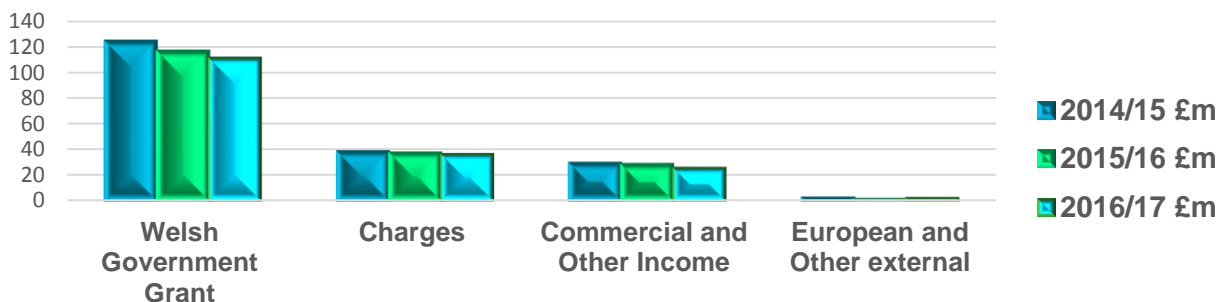
Our total income for the year was £63 million. In addition, Welsh Government provided £111 million Grant in Aid towards a range of outcomes. £34 million was allocated to Flood and Coastal Risk Management and £77 million to Non-Flood and Coastal Risk Management. In the Accounts, Grant in Aid is treated as a contribution from a controlling authority and not a source of income. The chart below illustrates the distribution of our total funding.

Funding by Type



Over the last three financial years our funding has reduced from £193 million to £174 million with the biggest reduction being Welsh Government Grants (£13 million). The table also shows our commitment to charge payers with a cash reduction of £2 million over the same period. Although the table shows a decrease in commercial and other income, the profitability of our timber trading has improved. This is illustrated in the graph below.

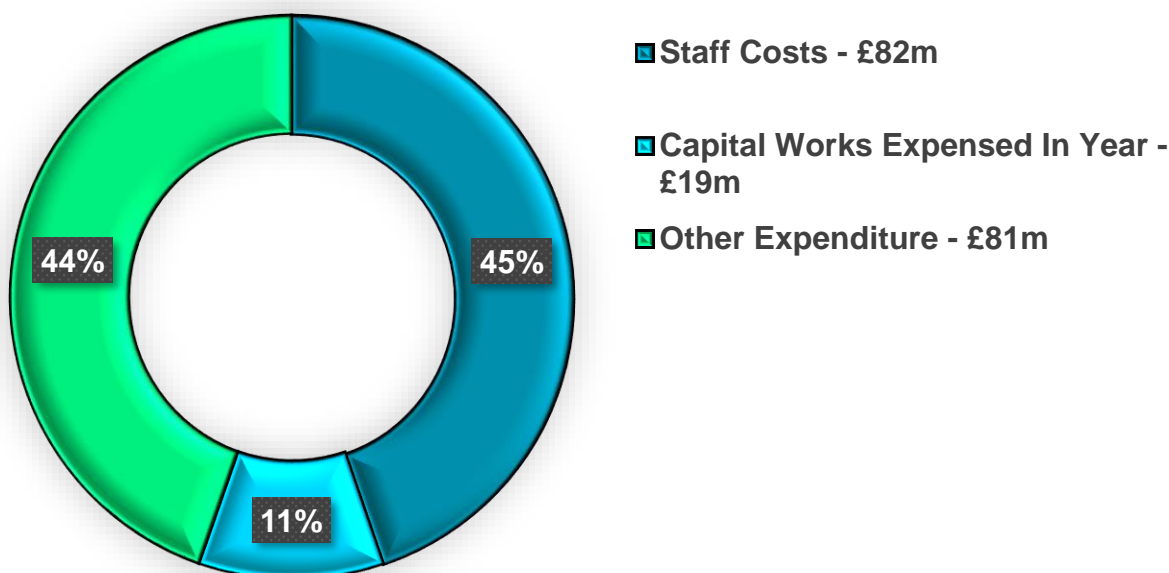
Funding by Financial Year



How we spent our money

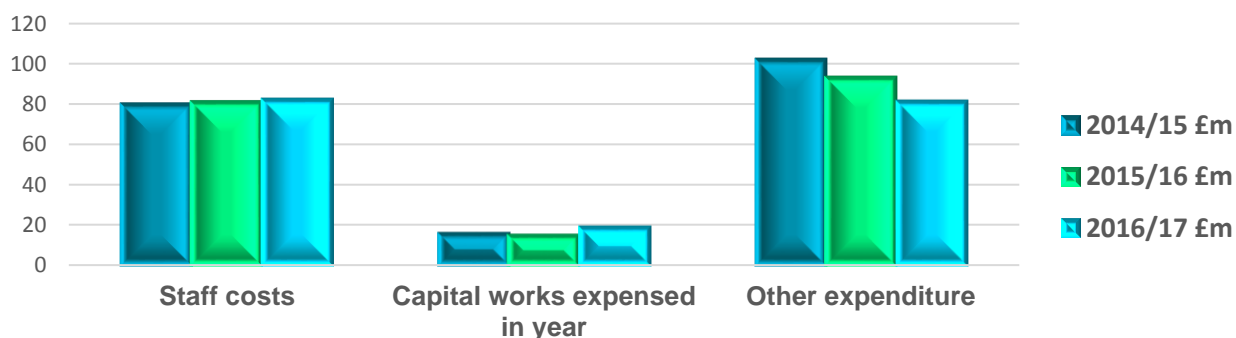
Our total expenditure was £182 million. The detailed breakdown by category of spend can be found in the Financial Statements and is also illustrated below.

Expenditure by Type



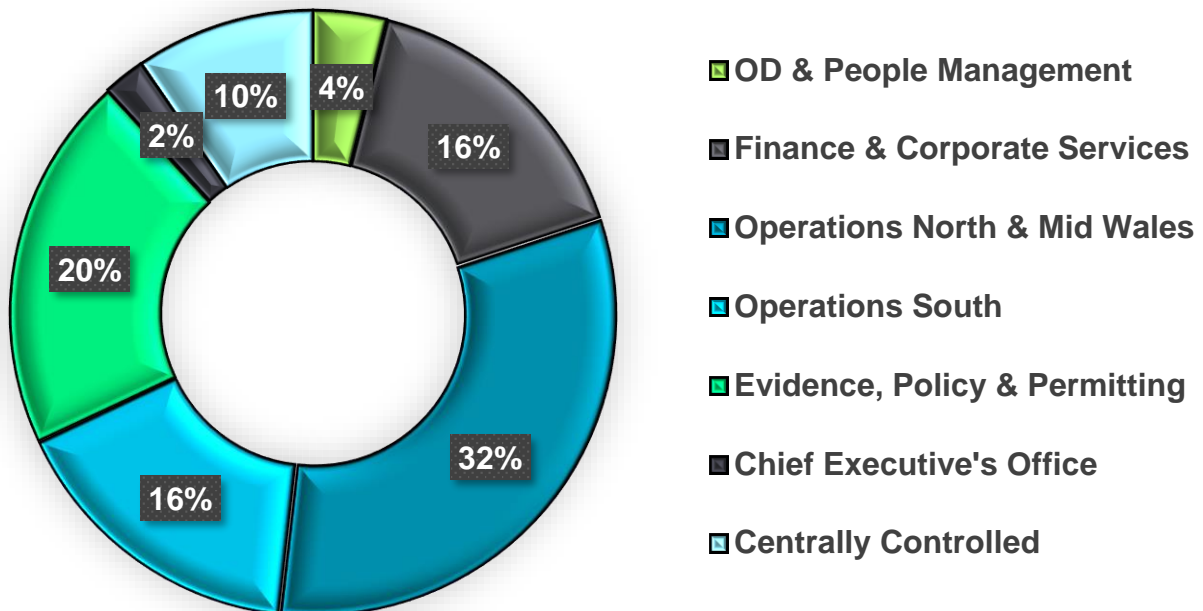
Over the last three financial years our expenditure has decreased in line with funding, from £198 million to £182 million. This has been achieved through a mixture of efficiencies, reductions in the amount we pay to legacy bodies for Service Level Agreements, the end of the Woodland Grant Scheme and reductions in services. This is illustrated in the graph below.

Expenditure by Financial Year



The graph below shows how the money was spent by Directorate. 48% of our expenditure was spent in our Operations teams, whilst another 20% was spent in our Environment, Permitting and Planning (EPP) teams. The remaining 32% was spend across the range of our Corporate Service departments, which are regularly benchmarked against other public sector bodies. We will be delegating further budgets to Operations and EPP teams during 2017/18, so that expenditure more accurately matches activities.

Expenditure by Directorate



Managing our Money

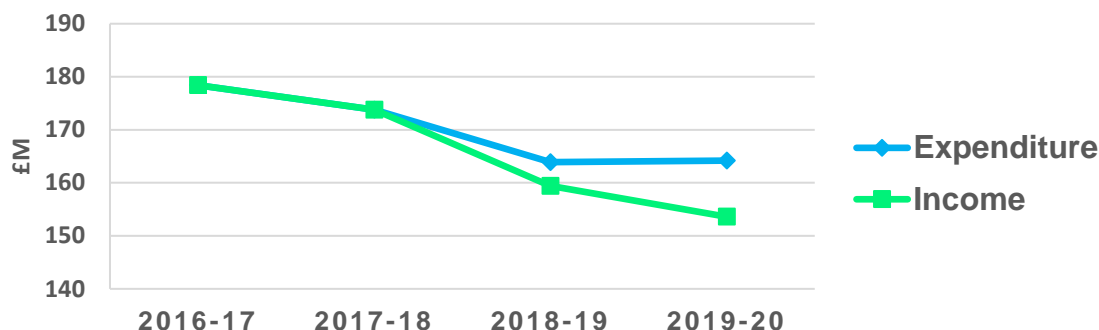
In 2016/17 we received a £6.1 million (7%) reduction in our Grant in Aid when compared to 2015/16. This was after receiving a £3.2 million reduction the year before. In 2015/16 we had successfully run an efficiency campaign called 'Success with Less' that realised £2.5m of savings that were embedded into the business and which provided a platform to meet those pressures. We implemented a range of measures to set an affordable budget for 2016/17, with several areas being reduced by over 10%, and we have continued with tight workforce controls. We also re-visited our timber marketing strategy to concentrate on harvesting the most profitable timber coupes.

Future Look

We are developing our Corporate Plan 2017-2022 which will be centred around our newly defined Well-Being Objectives, and to Welsh Government's Natural Resources Policy. Whilst we have received a stable Grant in Aid settlement for 2017/18, we have been advised to be prudent in our future assumptions from 2018/19 onwards. The graph below shows the impact an annual 5% reduction would have up to 2020; this would create a funding gap of approximately £10m.

NRW FINANCIAL SCENARIO

TOTAL INCOME AND EXPENDITURE - 5% REDUCTION



We have completed the reviews of all the areas of our business and are now implementing a re-design of our organisation so we can have a sustainable and affordable organisation capable of meeting our ambitions.

Non-Current Assets

The value of our non-current assets was £899 million at 31 March 2017, a 3% (£25 million) increase compared to last financial year. The most significant component is the value of the forest estate and biological assets which accounts for £738 million of the total. We are required to undertake an independent quinquennial revaluation of freehold land, buildings and forest estate and that will next be undertaken in 2020/21. In the intervening years, our non-current assets, where they have a material impact on the Financial Statements, are revalued via the appropriate indices.

Payment of Trade and other Payables

Welsh Government has a commitment to pay 95% of suppliers within 30 days and we aim to exceed this target wherever possible. Performance for the whole year was 98% and represented a significant improvement on the previous financial year (91%). This helps to ease businesses' cash flow in the current challenging economic climate.

Going Concern

The Statement of Financial Position at 31 March 2017 shows positive taxpayers' equity of £842 million. 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 2017/18. Therefore, it is appropriate to adopt a going concern basis to prepare the Financial Statements.

Estate Management

We manage Wales's public forest estate on behalf of the Welsh Ministers in accordance with our acquisitions and disposal policy and our Enterprise Strategy. We also have Forest Plans for all the estate, 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 provide a series of local plans/strategies which will guide the management of the estate and assets across Wales.

All National Nature Reserves, including those owned/managed by NRW, those managed through partnership arrangements, and those managed by third-parties, are managed in accordance with an approved management plan. These plans include conservation objectives for all recognised features of interest and identifies necessary projects and work programmes. The plans are reviewed periodically and checked by our Conservation Management team, through a rolling programme of reviews/environmental audits.

Pensions

The pension liability is disclosed in the Financial Statements on the basis of International Accounting Standard 19. The liability has decreased for the Local Government Pension Scheme £47 million to £42 million in the year.

This is different from the basis used for funding calculations. The last formal revaluation of the fund was undertaken at 31 March 2016 and showed an overall funding position of 103%.

Auditors

Our accounts are audited by the Auditor General for Wales. The audit fee for 2016/17 was £143k. There was an additional fee of £42k for work undertaken in respect to the scrutiny of long term timber contracts issued in 2014.

Personal Data

There were no personal data losses reported to the Information Commissioner's Office during 2016/17.

Corporate Data

There were no corporate data losses reported to the Information Commissioner's Office during 2016/17.

Corporate Reporting

The following annual reports are also available on our website at

www.naturalresources.wales/about-us/strategies-and-plans/how-well-are-we-doing:

- Development Planning Advice Service Annual Report 2016/17
- Equality Annual Report 2016/17
- Regulation Report 2016
- Welsh Language Annual Report 2016/17


Environmental Reporting

Over the coming 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 Annex 1.

This year we have:

- met our target to reduce our carbon footprint by 5% in relation to occupied buildings energy use and business travel
- attained certification to the ISO14001:2015 environmental standard following independent external audits and verification, demonstrating our own commitment to achieving the highest possible environmental standards as an organisation
- retained UK Woodland Assurance Standard for the Welsh Government Woodland Estate we manage, following independent external audits and verification, this enables us to produce FSC/PEFC² certified timber from the Welsh Government Woodland Estate we manage
- attained UK spill accreditation for the first time.

During the coming years, we will continue to improve our corporate environmental reporting in working towards Integrated Reporting.



Dr Emyr Roberts
Chief Executive and Accounting Officer

Date: 14 July 2017

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 judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis
- confirm that there is no relevant audit information of which Natural Resources Wales' auditors were unaware and take all steps to make themselves aware of any relevant audit information and to establish that Natural Resources Wales' auditors are aware of that information
- confirm that the annual report and accounts as a whole is fair, balanced and understandable and take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

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

Governance Statement

As the delegated Accounting Officer for Natural Resources Wales (NRW), I am responsible for maintaining a sound system of internal control that supports the achievement of our objectives. My role is also to safeguard public funds and organisational assets by putting in place proper arrangements for the governance of our affairs and effective exercise of our functions. As a result I am personally responsible for this governance statement.

I can confirm that information in our Annual Report and Accounts is a true and fair account of how the organisation has delivered our functions this year. I also confirm that there is no outstanding information that has been brought to my attention or that I am aware of that has not been brought to the attention of Wales Audit Office.

The full scope of my responsibility is described in the Memorandum for Accounting Officer of Natural Resources Wales, issued by the Welsh Government and additional content is described in Managing Welsh Public Money.

I have outlined the following in order to demonstrate how I have fulfilled this role:

- Governance structure
- Review of effectiveness
 - Board performance
 - System of internal control
- Risk management framework
- Internal Audit opinion

Our Governance Structure

Our Board members are appointed by Welsh Ministers in accordance with the Code of Practice for Ministerial Appointments in Public Bodies, and as such our Chair is accountable to the Cabinet Secretary for Environment and Rural Affairs. We currently have twelve Board members, including myself as an Executive member of the Board. We are led by our Chair, Diane McCrea. The remainder of the Board is made up of ten non-executive members. There have been no changes to appointments this year.

The role and responsibility of the Board is to:

- provide strategic direction and leadership, driving performance and hold us to account against our strategic and corporate plans
- ensure propriety, regularity, economy, efficiency and effectiveness in the operation of the body and adherence to the seven Principles of Public Life (the Nolan principles)
- ensure that we fulfil our 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, as well as a role model for staff and stakeholders
- work co-operatively to build relationships with all stakeholders, including the Welsh Government, businesses, communities and staff and their representatives
- demonstrate high standards of corporate governance at all times, including by using the Audit and Risk Assurance Committee to help address key financial and other risks.

We operate to the principles set out in the Code of Good Practice for Corporate Governance issued by HM Treasury. We continue to support the development and implementation of the Welsh Government’s legislative programme, while transforming our organisation through implementation of Business Area Review projects, the Senior Management Review and Organisational Design Programmes.

Implementing requirements of the Well-being of Future Generations (Wales) and the Environment (Wales) Acts have been key to our work this year, with the Board overseeing publication of our first State of Natural Resources Report, Well-being Statement and Well-being Objectives. This work will continue and informs our final Business Plan 2017/18 as well as of our next Corporate Plan 2017-22.

We held six meetings in public across Wales this year, as well as a number of other development sessions. Standing items on our agenda include: wellbeing, health and safety; in year finance and performance reporting; and strategic and operational updates from the Chair, Chief Executive, Committees, and Board Groups. To support our commitment that our work is open and accessible to all, we publish a wide range of information regarding our work on our website, including papers to be considered by the Board in advance of those meetings held in public. All future meeting dates and previous agendas, papers and minutes are available on our website naturalresources.wales/about-us/our-chair-board-and-executive-team

Board Member Attendance

	No. of possible meetings	No. of full meetings attended
Diane McCrea (Chair)	6	5
Dr Madeleine Havard (Deputy Chair)	6	6
Karen Balmer	6	5
Chris Blake	6	5
Howard Davies	6	6
Dr Ruth Hall	6	4
Zoe Henderson	6	5
Elizabeth Haywood	6	4
Andy Middleton	6	5
Nigel Reader	6	4
Dr Emyr Roberts	6	6
Sir Paul Williams	6	6

Our Board has three sub committees, each chaired by a Board Member, and include at least two other Board Members. In addition to the three formal sub-committees, the Board has established a standing Floor Risk Management Advisory Group. We do not have a Nominations Committee as our members are appointed by Welsh Ministers. Membership of each committee was reviewed in January 2016 following the appointment of new Board Members. Attendance records below outline membership of our:

- Audit and Risk Assurance Committee
- People and Remuneration Committee
- Protected Areas Committee

Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee's (ARAC) principal role is to advise the Board and support the Accounting Officer in monitoring, scrutinising and challenging the arrangements in place for audit, governance, internal controls and risk management. As Accounting Officer I attend every meeting, along with our Executive Director of Finance and Corporate Services.

As Accounting Officer I attend every meeting, along with our Executive Director of Finance and Corporate Services.

This year ARAC addressed a range of issues including:

- Annual Report and Accounts 2015/16 and plans for this report, 2016/17
- WAO review into NRW Long Term Timber Contracts
- External and internal audit plans and reports
- Corporate Risk Register including a number of 'deep dives' into specific risks

Board Member ARAC Attendance

	No. of possible meetings	No. of meetings attended
Nigel Reader (Chair)	5	5
Dr Ruth Hall	5	4
Karen Balmer	5	5
Chris Blake	5	5
Zoe Henderson	1	1

People and Remuneration Committee

The People and Remuneration Committee (PARC), previously our Remuneration Committee, considers matters relating to the pay and conditions of employment of our Executive Team and the overall pay strategy for all staff employed by Natural Resources Wales. The Committee also operates as the Transformation Advisory Group to monitor and review all transformation issues.

I also attend every meeting, along with our Executive Director of Organisational Development and People Management, and our Transformation Portfolio Director.

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

- Job Evaluation Scheme
- Voluntary Early Severance Scheme
- Wellbeing, Health & Safety
- Changes to Pension Schemes
- Director appointments and remuneration
- Transformation programme

Board Member PARC Attendance

	No. of possible meetings	No. of meetings attended
Sir Paul Williams (Chair)	5	5
Nigel Reader	5	5
Karen Balmer	5	5
Zoë Henderson	5	5

Protected Area 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 (PAC). PAC members also support the Executive and full Board by providing advice on wider protected area issues and strategic casework.

During the year the committee considered objections and confirmed the designation of three new Sites of Special Scientific Interest (SSSI).

Board Member PAC Attendance

	No. of possible meetings	No. of meetings attended
Andy Middleton (Chair)	1	1
Howard Davies	1	1
Zoe Henderson	1	1
Dr Madeleine Havard	1	1
Elizabeth Haywood	1	1
Sir Paul Williams	1	1

Flood Risk Management Advisory Group

The group is advisory and reports to the Natural Resources Wales Board. Its primary responsibilities are to scrutinise FRM investment programmes for current and future years, and to consider key issues which may affect the delivery of FRM related work in Wales.

The group is attended by four members of the Board along with the Executive Director for Finance and Corporate Services, Executive Director for Evidence, Policy and Permitting, Head of Flood and Incident Risk Management, and Head of Business Finance

The group will meet at least twice a year and at its first meeting in January 2017 it reviewed areas including:

- prioritisation of Flood Risk Management Activities
- governance of the Flood Risk Management Capital Programme
- the latest Medium Term Plan for our Capital Programme
- the Internal Drainage District rates and precepts for 2017/18.

Board Member Flood Risk Management Advisory Group Attendance

	No. of possible meetings	No. of meetings attended
Dr Madeleine Havard (Chair)	1	1
Nigel Reader	1	1
Karen Balmer	1	1
Elizabeth Haywood	1	1

Board Groups

Outside of our formal meetings, Board Members contribute to strategic development through 'task and finish' groups providing advice as requested on specific areas of work e.g. our charging scheme, performance reporting.

Board Effectiveness

Following significant changes to our Board membership during 2015/16 we agreed to undertake a Board effectiveness review later in 2016 allowing our new working relationships to develop. We held a workshop, facilitated by Academi Wales, in October 2016 to consider our approach to setting strategy, providing leadership and scrutinising delivery against a set of indicators to help identify a High Performing Organisation. Following this, Board Members undertook an online questionnaire based on National Audit Office's *Unlocking your Board's full potential – Board Evaluation Questionnaire* to establish a new baseline of how effective current members consider the Board to be. We are now developing a programme of work to combine outputs from both of these exercises which will see an ongoing programme of actions, including a continuous improvement programme, with specific outputs completed over the next 12 months

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. Overall, the ARAC was considered to be very effective, with the majority of key arrangements and processes in place. However, the exercise highlighted that there are a small number of additional issues that the Committee could consider as part of its assurance role. An induction plan has been put together to support new ARAC members, as well as a plan to hold annual closed sessions with the Chief Executive and both Internal and External auditors to give an opportunity for greater independence and transparency if required.

Compliance with the UK Corporate Governance Code

Our organisational structure, policies and procedures are set in line with the UK Corporate Governance Code. Our leadership is consistent with expected senior management roles and responsibilities; supporting procedures are in place to ensure board roles can operate effectively; our reporting routes are clear to ensure accountability and key internal controls are in place; remuneration is considered by non executives to ensure independence and we have regular meetings with our key stakeholders to maintain constructive working relationships.

Our Executive

Day to day management of our organisation is delivered through our Executive Team. As Chief Executive, I chair the meetings with five Executive Directors and two Directors in attendance. We formally meet on a three weekly cycle. Our Business meetings deal with current and emerging issues, and monitor the performance of the organisation; Strategy and Policy meetings develop strategy for the organisation and recommend new policy positions to the Board; and we meet as a Change Programme Board to receive and consider updates on the Transformation Portfolio.

Each Directorate has a Directorate Delivery Plan, which are linked to corporate targets and outcomes within the annual Business Plan. These are reviewed on monthly basis with their Leadership Team members and feed into the Corporate Performance Dashboard, which is reported to the Board and the Welsh Government three times a year.

Ministerial Directions

We have not received any Ministerial Directions this year.

Our Risk Management Framework

The Board has approved our Risk Management policy and is responsible for overseeing the implementation of the policy and process. 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.

We face a broad range of risks across our responsibilities therefore it is not appropriate to make a single overarching statement of our attitude to risk. The Board approved an updated Risk Appetite Statement in September 2016 which outlined new assessment criteria when considering financial, operational and reputational risks and opportunities, and explained when to escalate and delegate risk management within the organisation.

Our day-to-day risks are identified, evaluated and managed at a number of different levels. Our Board is responsible for managing corporate risks in line with achieving strategic objectives. 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. Executive Team members manage Directorate Risk Registers in line with achieving their targets and outcomes in their Directorate Delivery Plan. These are reviewed regularly and I discuss them during their performance reviews.

Key risks that were identified and managed during the year included:

- responding to the short-term reduction in our grant in aid and planning for continued financial challenges
- ensuring that we are fully prepared for the new challenges arising from the Well-being of Future Generations and Environment (Wales) Acts
- reputation management around national interest projects e.g. Swansea Bay Tidal Lagoon, M4 Relief Road, Anglesey Energy Island etc.
- implementation of job evaluation scheme

Information Assurance

We are committed to ensuring data and information is well governed and managed and have continued to work to achieve the right balance between openness and security, making sure that staff and customers are assured of the highest levels of protection. Following the departure of our Director of Governance, our Director of Customer, Communications and Information has taken over as the Senior Information Risk Owner (SIRO). We have concentrated our efforts during the year on consolidating the implementation of relevant Information Governance Policy and Procedures, as well as developing our information security incident handling arrangements. The new SIRO is currently developing a work programme for 2017/18 prioritising General Data Protection Regulation compliance and addressing matters like general staff awareness and training around key areas of information security, particularly in the context of the challenges posed to public sector organisations by cyber-attacks which are increasing in levels of sophistication.

Effectiveness of Internal Control

Members of my Executive Team have each signed a Certificate of Assurance and completed an Internal Control Checklist which required them to make an evidence-based assessment of the effectiveness of the control framework in place for their Directorate.

Overall results this year remain positive with Executive Team members confirming that our control framework continues to develop and apply across all work areas. Policies and procedures continue to be introduced or revised as necessary to adapt to external changes or internal gaps identified. Regularity of application has become an issue in some areas e.g. risk management, due to ongoing prioritisation of other key projects e.g. job evaluation; management are aware of this and will look to refocus on consistency. Application of records management principles along with management of legacy information remains a concern as staff try to maintain the day job and manage the large amounts of data that have been transferred to NRW; this will be addressed with an Executive Team action plan through 2017/18.

We have an established whistleblowing policy and reporting procedure in place to raise serious concerns about malpractice or impropriety. There were no formal cases reported this year however concerns were raised in relation to potential fraud under our Anti-Fraud and Anti-Bribery and Corruption policies. These are reported to our Audit and Risk Assurance Committee and have been handled using trained internal investigators and procedures.

Our Internal Audit team have completed their annual audit plan, with regular progress and feedback to the Audit and Risk Assurance Committee. Last year I highlighted that the number of outstanding actions was increasing. I am pleased that this has greatly improved with the majority of audit actions being completed within agreed timescales.

The opinion of the Internal Audit Manager, as set out in their annual assurance report is:

In my opinion, Natural Resources Wales can have Moderate assurance over the overall adequacy and effectiveness of its internal control environment, including its arrangements for governance and risk management.

During the year, NRW have continued to undertake a number of major change initiatives. Focus on those initiatives have detracted management's attention from other organisational improvements, such as in the area of Risk Management. Consequently, this continues to be a significant weakness. Plans to strengthen this area are being made and ARAC will play a key role in challenging the robustness of the risk identification, escalation and mitigation.


NRW are in the process of introducing a new organisational design which is expected to further improve its governance, which is necessary to enable effective risk management.

External Audit

During our 2015/16 financial audit the WAO received information that lead to a review of the way in which we allocated long term timber contracts in 2013/14. This resulted in the Auditor General for Wales (AGW) issuing a qualified opinion of our 2015/16 accounts on the grounds of regularity. These contracts were awarded at a time when we were dealing with a significant increase in the spread of *P. ramorum* disease and were preparing to fell millions of infected trees. The contracts helped the timber industry to adapt to the significant increase in infected larch coming onto the market. The sales contract was formally terminated on 31 March 2017 and we have put in place transitional arrangements

to bring the timber to market. However, we recognise there are lessons to be learned from this review.

We now have an action plan in place to address the issues identified by the AGW and subsequent report from the National Assembly's Public Accounts Committee which will be delivered during the next six months. Progress against the action plan will be overseen by ARAC on behalf of the NRW Board.

A handwritten signature in black ink that reads "Emyr Roberts". The signature is written in a cursive, slightly slanted style.

Dr Emyr Roberts
Chief Executive and Accounting Officer

Date: 14 July 2017

Remuneration and Staff Report (audited)

Remuneration policy

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

The Chair and Board members' remuneration is set by Welsh Ministers. The terms of contract for senior employees (Executive Team members) is based on NRW terms and conditions. The remuneration policy for the most senior staff is not subject to collective bargaining and the remuneration package is set by reference to a set of benchmark roles in the Welsh public service and to comparable organisations based in the UK. Progression to the benchmark (rate for the job) is subject to satisfactory performance. Only on the basis of consistent outstanding performance are the top two pay points used. There was no pay deal for the period 1 July 2016 to 30 June 2017. It was deferred pending implementation of our new Job Evaluation scheme and the associated new pay and grading structure.

There is a social partnership agreement in place with five Trade Unions and the setting of terms and conditions for staff below the Executive Team members is through collective agreement with the social partners. The Welsh Government approves any changes to pay, terms and conditions and gives a pay remit to NRW within which it must deliver. A pay deal covering the period 1 July 2015 to 30 June 2016 was successfully negotiated in November 2015. Former Internal Drainage Board staff had a pay award from 1 April 2015 to 30 June 2016 to bring an alignment of pay award dates.

Service contracts

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

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

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

Salary and pension entitlements

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

Board Members' Remuneration

Board Member	Employment Contract	Salary 2016/17 (£5,000 range)	Salary 2015/16 (£5,000 range)
Karen Balmer ¹	9-11-15 to 8-11-17	10-15	0-5
Chris Blake ¹	9-11-15 to 8-11-17	10-15	0-5
Howard Davies ¹	9-11-15 to 8-11-17	10-15	0-5
Rev Hywel Davies ²	1-11-12 to 31-10-15	0	10-15
Dr Ruth Hall CB ³	1-11-12 to 31-10-17	10-15	15-20
Dr Madeleine Havard (Deputy Chair) ⁴	1-11-12 to 31-10-17	15-20	20-25
Elizabeth Haywood ¹	9-11-15 to 8-11-17	10-15	0-5
Zoë Henderson ¹	9-11-15 to 8-11-17	10-15	0-5
Harry Legge-Bourke ²	1-11-12 to 31-10-15	0	10-15
Diane McCrea (Chair) MBE ⁵	1-12-15 to 30-11-18	40-45	5-10
Prof Peter Matthews CBE (Chair) ⁶	1-08-12 to 31-11-15	0	30-35
Andy Middleton ⁷	1-11-12 to 31-10-17	10-15	15-20
Nigel Reader ⁸ CBE	1-11-12 to 31-10-17	15-20	20-25
Prof Lynda Warren ²	1-11-12 to 31-10-15	0	10-15
Sir Paul Williams ⁹ OBE	1-11-12 to 31-10-17	15-20	20-25

¹ The full year equivalent salary for 2015/16 is £10,000-£15,000.

² The full year equivalent salary for 2015/16 is £20,000-£25,000.

³ Ruth Hall was re-appointed on 1 November 2015 for another term to conclude on 31 October 2017. The full year equivalent salary is £10,000-£15,000.

⁴ Madeleine Havard was re-appointed on 1 November 2015 for another term to conclude on 31 October 2017. She was appointed as Deputy Chair from December 2015. She is also the Chair of the Flood Advisory Group. The full year equivalent salary for 2015/16 is £20,000-£25,000.

⁵ Diane McCrea's full year equivalent salary for 2015/16 based on 72 days per annum is £25,000-£30,000. Her time commitment from 1 September 2016 to 31 August has increased to 96 days. The full year equivalent salary for 1 April 2016 to 31 August 2016 is £30,000-£35,000 and for 1 September 2016 to 31 March 2017 is £40,000-£45,000.

⁶ The full year equivalent salary for 2015/16 is £50,000-£55,000.

⁷ Andy Middleton was re-appointed on 1 November 2015 for another term to conclude on 31 October 2017. He is Chair of the Protected Areas Committee. The full year equivalent salary is £10,000-£15,000.

⁸ Nigel Reader was re-appointed on 1 November 2015 for another term to conclude on 31 October 2017. He is Chair of the Audit and Risk Assurance Committee. The full year equivalent salary is £15,000-£20,000.

⁹ Sir Paul Williams was re-appointed on 1 November 2015 for another term to conclude on 31 October 2017. He is Chair of the People and Remuneration Committee and the Transformation Advisory Group. The full year equivalent salary is £15,000-£20,000.

Executive Team's Remuneration

Executive Team Member	Salary		Benefits in kind ⁶		Pension benefits ⁷		Total	
	(£5,000 range)		(nearest £100)		(nearest £1,000)		(£5,000 range)	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
Dr Emyr Roberts (Chief Executive)	145-150	145-150	0	0	26,000	45,000	170-175	190-195
Martin Britton ¹	0	65-70	0	0	0	26,000	0	95-100
Ceri Davies	100-105	95-100	0	2,400	40,000	47,000	140-145	145-150
Ashleigh Dunn	90-95	90-95	0	0	36,000	35,000	125-130	125-130
Graham Hillier ²	0	5-10	0	0	0	11,000	0	15-20
Kevin Ingram	95-100	90-95	0	4,000	36,000	35,000	130-135	130-135
Tim Jones	90-95	90-95	0	2,700	13,000	40,000	100-105	130-135
Gareth O'Shea ³	90-95	85-90	0	2,800	34,000	179,000	120-125	265-270
Trefor Owen ⁴	0	90-95	0	0	0	34,000	0	125-130
Niall Reynolds	75-80	75-80	0	0	26,000	(7,000)	100-105	70-75
Catherine Smith	75-80	75-80	0	0	30,000	29,000	105-110	100-105
Clive Thomas ⁵	40-45	75-80	0	0	72,000	48,000	115-120	120-125

¹ Martin Britton finished on the 31 December 2015. The full year equivalent salary for 2015/16 is £90,000-£95,000.

² Graham Hillier finished on the 26 April 2015. The full year equivalent salary for 2015/16 is £90,000-£95,000.

³ Gareth O'Shea was appointed as Director of Operations South on 27 April 2015. The figures quoted for 2015/16 are for the period 27/04/15 to 31/03/16. The full year equivalent salary is £90,000-£95,000.

⁴ Trefor Owen finished on the 31 March 2016.

⁵ Clive Thomas finished on the 31 October 2016. The full year equivalent salary is £75,000-£80,000.

⁶ Relates to the provision of an allocated car.

⁷ 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.

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

For the Executive Team, movement between the pay points is subject to performance assessment by the Chief Executive and moderation by the people and Remuneration Committee. Any movement beyond the benchmark point will only be for consistent outstanding performance as assessed by the Chief Executive and confirmed by the People and Remuneration Committee.

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. The ones shown above for 2015/16 relate to the provision of allocated lease cars.

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

Pension Benefits

Executive Team member	Accrued Pension at pension age as at 31/03/17 £000	Accrued Lump Sum at pension age as at 31/03/17 £000	Real Increase in pension at pension age £000	Real Increase in Accrued Lump Sum at pension age £000	CETV at 31/03/17 £000	CETV at 31/03/16 £000	Real Increase in CETV £000
Dr Emyr Roberts (Chief Executive)	65-70	195-200	0-2.5	2.5-5	1476	1388	25
Ceri Davies	35-40	65-70	0-2.5	0-2.5	656	602	21
Ashleigh Dunn	5-10	0	0-2.5	0	72	40	24
Kevin Ingram	25-30	40-45	0-2.5	0-2.5	380	343	15
Tim Jones	35-40	110-115	0-2.5	2.5-5	749	703	10
Gareth O'Shea	35-40	75-80	0-2.5	0-2.5	619	574	15
Niall Reynolds	35-40	65-70	0-2.5	0-2.5	642	599	14
Catherine Smith	0-5	0	0-2.5	0	48	31	11
Clive Thomas ¹	25-30	60-65	5-7.5	0	461	390	1

¹ until 31st October 2016

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

Real increase in CETV

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

Compensation for loss of office

Clive Thomas left under Voluntary Exit terms on the 31 October 2016. He received a compensation payment of £95,000-£100,000 consistent with the Civil Service Compensation Scheme.

Fair pay disclosure

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

In 2016/17, no employees (2015/16: none) received remuneration in excess of the highest-paid director. The banded remuneration of the highest paid Director in the financial year 2016/17 was £145,000-£150,000 (2015/16: £145,000-£150,000). This was 5.2 times (2015/16: 5.2 times) the median remuneration of the workforce which was £28,215 (2015/16: £28,215). Staff pay scales range from £12,250 to £64,424 (2015/16 £12,250 to £64,424 (restated)). Directors' remuneration is shown in the table above.

Number of staff by headcount and full time equivalent (FTE) at 31 March 2017.

	Male		Female		Total	
	Headcount	FTE	Headcount	FTE	Headcount	FTE
All employees	1,190	1,096	858	758	2,048	1,855
of which:						
Leadership team	14	14	6	5	20	19
Executive team	5	5	3	3	8	8

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

	2016/17			2015/16
	Permanent Staff	Others	Total	Total
Directly employed	1,790	44	1,834	1,912
Agency and contract staff	0	73	73	89
Total	1,790	117	1,907	2,001

The average full time equivalent number of staff employed on capital projects was 122.6 (2015/16: 75.8)

Staff costs

	2016/17			2015/16
	Permanent Staff £'000	Other Staff £'000	Total £'000	Total £'000
Wages and salaries	56,456	5,595	62,051	65,569
Social security costs	5,810	45	5,855	4,824
Other pension costs	13,104	156	13,260	13,465
Total net salary costs	75,370	5,796	81,166	83,858
Other expenditure for staff		Note		
Exit package costs			4,935	132
IAS 19 (Pensions) additional service charge		13	8,710	8,325
Less early retirement pension costs			(638)	(144)
Less in-year LGPS pension contributions			(7,558)	(7,936)
Transfer to Provision for Annual Compensation Payments			78	(2)
Other staff costs			4	341
Movement in Accrued Holiday Pay			16	(159)
Total other expenditure for staff			5,547	557
Less amounts charged to capital projects			(5,208)	(3,176)
Total staff costs			81,505	81,239

Details of NRW's pension obligations can be found in note 13.

Details of the remuneration of Board members and directors are in the remuneration report.

Bought in services in Note 5 (Other expenditure) includes £5.1m of expenditure on consultants.

Pension schemes

NRW is a member of two pension schemes. The Principal Civil Service Pension Scheme is an open scheme and NRW is a closed member of the Environment Agency Pension Fund under a community admission agreement. Further details of these pension schemes are shown below.

Principal Civil Service Pension Scheme contributions

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) - known as "Alpha" are unfunded multi-employer defined benefit schemes but NRW is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation at: www.civilservicepensionscheme.org.uk/about-us/resource-accounts/

For 2016/17, employer's contributions of £5,658k were payable to the PCSPS (2015/16 £5,663k) at one of four rates in the range 20.0% to 24.5% of pensionable earnings, 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 2016/17 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Stakeholder partnership pensions

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £44k (2015/16: 44k) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.7%. Employers also match employee contributions up to 3% of pensionable earnings.

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

Local Government Pension Scheme contributions

NRW makes payments to the 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 2016 to set the funding for the three year period from 1 April 2017 to 31 March 2020.

NRW 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 NRW on 1 April 2013. The liabilities for former members employed by the Environment Agency in respect of Welsh functions (pensions in payment and deferred members) also transferred. Welsh Government has entered into a guarantee with the EAPF to indemnify them for any liabilities that arise from the participation of NRW in the EAPF.

For 2016/17 the employer's contribution rate was 21.2% (2015/16: 21.2%). In 2016/17 employer's contributions of £7,558k were paid to the LGPS (2015/16: £7,936k).

Exit packages

The total number of exit packages by cost band:	2016/17	2015/16
Under £10,000	3	4
£10,001 - £25,000	15	3
£25,001 - £50,000	43	0
£50,001 - £100,000	43	0
£100,001 - £150,000	0	0
Total	104	7

Total resource cost for 2016/17 was £4,885k (2015/16: £63k)

There were no compulsory redundancies in 2016/17 or in 2015/16.

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 in respect of these are shown in Note 12 (Provisions).

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

Sickness Absence (Unaudited)

Our sickness absence rate for the rolling year (1 April 2016 to 31 March 2017) showed an average of 7.1 days lost per employee and equates to 3.2%. This was against a target of an average of up to 7 days lost, which equates to 3.1% of available working days.

Disability Policies (unaudited)

During 2016/17, NRW were audited for our work on the disability agenda by the Department for Works and Pensions. In August 2016, we were awarded Disability Confident Employer status which replaced the Two Tick Scheme. We offer job applicants who declare a disability and who meet the minimum job criteria a guaranteed interview and are 100% compliant with this commitment.

We have an active Assisted User Group staff network which provides advice and opinion on both existing and new IT and telephony issues for members of staff that have reasonable adjustments made to their workplace.

With an ageing workforce, it is important to us that we recognise and support people suffering with dementia and are working closely with the Alzheimer's Society Cymru to achieve this over the next three years. We have a series of dementia friendly objectives in our Equalities Action Plan for 2017/18.

Externally facing we are active on all the Public Services Boards and are ensuring that the voices of disabled people, along with all other protected characteristics are heard, listened to and acted upon. This will help ensure that our services are accessible to all to help attract all to use our outdoor spaces keeping people healthy and engaged in their natural resources.

Off payroll engagements (Unaudited)

In 2012 the Treasury announced a review of the tax arrangements of public sector appointees in order to determine the extent of arrangements which could allow public sector appointees to minimise their tax payments. The review concluded that:

- the most senior staff must be on the payroll, unless there were exceptional temporary circumstances which would require Accounting Officer sign-off and could not last longer than six months
- departments (and their arm's length bodies) must be able to seek formal assurance from contractors with off payroll arrangements lasting more than six months and costing

over £220 per day that income tax and national insurance obligations are being met. If that assurance is not provided, contracts should be terminated

- Departments (and their arm's length bodies) are required to report to Parliament as part of their Annual Report and Accounts on the outcome of applying the above principles.

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

For all off-payroll engagements as of 31 March 2017, for more than £220 per day and that last for longer than six months	Number of contractors
The total number of existing engagements as of 31 March 2017	26
of which:	
The number that have existed for less than one year at time of reporting	7
The number that have existed for between one and two years at time of reporting	5
The number that have existed for between two and three years at time of reporting	12
The number that have existed for between three and four years at time of reporting	2
The number that have existed for four or more years at time of reporting	0

For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017, for more than £220 per day and that last for longer than six months	Number of contractors
The number of new engagements, or those that reached six months in duration, during the time period.	6
The number of these engagements which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations.	6
The number for whom assurance has been requested	6
of which	
• The number for whom assurance has been requested and received.	6
• The number for whom assurance has been requested but not received	0
The number that have been terminated as a result of assurance not being received	0

Parliamentary and Audit Report (audited)

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 £300k in total and for any individual items above £300k.

Individual losses of more than £300k

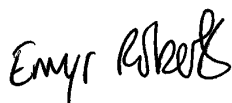
There were no losses or special payments over £300k throughout 2016/17.

Losses and special payments by category

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

Category or type of loss	2016/17 Number	2016/17 £'000	2015/16 Number	2015/16 £'000
Write-off of irrecoverable debts	59	107	56	280
Write-off of Communities and Nature Project	0	0	1	57
Loss of assets	6	66	135	456
Other losses (cash losses, fruitless payments, unenforceable claims, special payments or gifts)	15	914	15	57
Total	80	1087	207	850

Within Other Losses, there are nine compensation payments amounting to £825k in relation to the Wye and Lugg Water Abstraction Review. The cost is covered by NRW's Environmental Improvement Unit Charge (EIUC) scheme.



Dr Emyr Roberts
Chief Executive and Accounting Officer

Date: 14 July 2017

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 year ended 31 March 2017 under paragraph 23 of the Schedule to the Natural Resources Body for Wales (Establishment) Order 2012. These comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash flows, Statement of Changes in Taxpayers Equity and related notes. 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 financial statements, in accordance with Paragraph 23 of the Schedule to the Natural Resources Body for Wales (Establishment) Order 2012 and Welsh Ministers' directions made there under and for ensuring the regularity of financial transactions.

My responsibility is to audit, certify and report on the financial statements in accordance with applicable law and with International Standards on Auditing (UK and Ireland). These standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. I consider that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the qualified regularity audit opinion.

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 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate and 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 2017 and of its net operating costs for the year then ended; and
- have been properly prepared in accordance with Welsh Ministers' directions issued under Paragraph 23 of the Schedule to the Natural Resources Body for Wales (Establishment) Order 2012.

Basis for qualified regularity opinion

Note 6 to the financial statements records timber income of £16 million in 2016-17 (£16.5 million in 2015-16).

I qualified my 2015-16 regularity opinion with regard to the award of a series of timber sales contracts. I have also qualified my 2016-17 regularity opinion for the same issue:

Under Natural Resources Wales' framework of authority it is required to refer any activities which appear novel, contentious or repercussive to its sponsor department within the Welsh Government. Natural Resources Wales did not refer its decision to enter into a series of interrelated timber sales contracts, which I consider to be contentious and repercussive, to its sponsor department. I therefore consider the transactions relating to these contracts to be irregular. As these transactions are material to the financial statements, I have qualified my regularity opinion accordingly.

Furthermore, there was an insufficiency of evidence to form a conclusion in respect of these same transactions on both the lawfulness of decision-making and compliance with State aid rules. I was therefore unable to satisfy myself as to the lawfulness of the transactions and I have therefore also qualified my regularity opinion accordingly.

Qualified opinion on regularity

In my opinion, except for the effects of the failure to comply with its framework of authority and the possible effects of insufficient evidence to conclude on compliance with public law principles in decision making and compliance with state aid rules, as described in the above 'basis for qualified regularity opinion' paragraphs, in all material respects the expenditure and income in the financial statements have been applied to the purposes intended by the National Assembly for Wales and the financial transactions recorded in the financial statements 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 Welsh Ministers' directions made under Paragraph 23 of the Schedule to the Natural Resources Body for Wales (Establishment) Order 2012; and
- the information in 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 Governance Statement does not reflect compliance with Welsh Ministers' guidance;
- adequate accounting records have not been kept;
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- information specified by Welsh Ministers regarding the remuneration and other transactions is not disclosed.

Other than in respect of the transactions referenced in the above 'basis for qualified regularity opinion' paragraphs, I have received all of the information and explanations I require for my audit.

Report

On 2 March 2017 I issued a Report on the 2015-16 financial statements. The Report related to the award of a series of timber sales contracts.

I have qualified my 2016-17 regularity opinion for the same matter, as the financial statements record material income received in respect of the same series of timber sales contracts. The matters I set out in my 2015-16 Report therefore remain relevant to the 2016-17 financial statements.

Since the date of my 2015-16 Report, Natural Resources Wales have put in place an action plan to address the issues identified in my Report, progress against which will be overseen by Natural Resources Wales' Audit and Risk Assurance Committee on behalf of its Board.

I have no further observations to make.

Huw Vaughan Thomas
Auditor General for Wales
18 July 2017

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

The maintenance and integrity of the Natural Resources Wales website is the responsibility of the Accounting Officer; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

FINANCIAL STATEMENTS
and
NOTES TO THE ACCOUNTS

for 2016/17

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2017

	Note	2016/17 £'000	2015/16 £'000
Staff costs	3	81,505	81,239
Capital works expensed in year	4	19,402	14,834
Other expenditure	5	81,344	92,737
Total operating expenditure		<u>182,251</u>	<u>188,810</u>
Charge income	6	(36,065)	(36,969)
Commercial and other income	6	(25,147)	(27,735)
European and other external funding	6	(1,681)	(1,540)
Total operating income		<u>(62,893)</u>	<u>(66,244)</u>
Net operating expenditure		<u>119,358</u>	<u>122,566</u>
Financing on pension scheme assets and liabilities	13.3	1,651	2,439
Net expenditure for the year		<u>121,009</u>	<u>125,005</u>
Other comprehensive net expenditure			
Net gain from transfer of functions	1.6	0	(275)
Pension actuarial remeasurements	13.3	(6,657)	(33,179)
Revaluation			
Net loss / (gain) on revaluation		(5,356)	15,996
Total comprehensive net expenditure for the year		<u>108,996</u>	<u>107,547</u>

The notes on pages 59 to 87 form part of these accounts.

Statement of Financial Position

As at 31 March 2017

		31 March 2017	31 March 2016
	Note	£'000	£'000
Non-current assets			
Property plant and equipment	7.1	771,685	752,001
Heritage assets	7.1	6,432	6,432
Biological assets	7.1	105,643	102,450
Intangible assets	7.2	14,939	13,340
Financial assets		140	140
Total non-current assets		<u>898,839</u>	<u>874,363</u>
Current assets			
Assets held for sale		938	180
Inventories		805	759
Trade and other receivables	9	12,249	16,496
Cash and cash equivalents	10	26,801	22,735
Total current assets		<u>40,793</u>	<u>40,170</u>
Total assets		<u>939,632</u>	<u>914,533</u>
Current liabilities			
Trade and other payables	11	(14,484)	(19,568)
Provisions	12	(823)	(1,582)
Total current liabilities		<u>(15,307)</u>	<u>(21,150)</u>
Assets less current liabilities		<u>924,325</u>	<u>893,383</u>
Non-current liabilities			
Pension liabilities	13.3	(42,465)	(46,957)
Financial liabilities	8	(39,998)	(39,991)
Total non-current liabilities		<u>(82,463)</u>	<u>(86,948)</u>
Assets less liabilities		<u>841,862</u>	<u>806,435</u>
Taxpayers' equity and other reserves			
General fund	SoCTE	203,289	197,532
Revaluation reserve	SoCTE	681,038	655,860
Pensions reserve	SoCTE	(42,465)	(46,957)
Total taxpayers' equity		<u>841,862</u>	<u>806,435</u>

The notes on pages 59 to 87 form part of these accounts.

Dr Emyr Roberts
Chief Executive & Accounting Officer

Date: 14 July 2017

Statement of Cash Flows

For the year ended 31 March 2017

	Note	2016/17 £'000	2015/16 £'000
Cash flows from operating activities			
Net operating expenditure	SoCNE	(119,358)	(122,566)
Adjustment for non-cash transactions		19,344	17,902
(Increase)/Decrease in trade and other receivables	9	4,310	802
Increase/(Decrease) in trade and other payables	11	(5,077)	(8,112)
Increase/(Decrease) in provisions	12	(132)	(1,356)
Net cash flow from operating activities		<u>(100,913)</u>	<u>(113,330)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7.1	(3,218)	(2,606)
Purchase of intangible assets	7.2	(4,042)	(6,627)
Proceeds on disposal of property, plant and equipment		1,165	1,130
Net cash flow from investing activities		<u>(6,095)</u>	<u>(8,103)</u>
Cash flows from financing activities			
Cash receipt on transfer of functions	1.6	0	927
Grants from Welsh Government	SoCTE	111,074	116,443
Net Financing		<u>111,074</u>	<u>117,370</u>
Net increase in cash and cash equivalents in the period		4,066	(4,063)
Cash and cash equivalents at the beginning of the period		<u>22,735</u>	<u>26,798</u>
Cash and cash equivalents at the end of the period	10	<u><u>26,801</u></u>	<u><u>22,735</u></u>

The notes on pages 59 to 87 form part of these accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2017

	General Fund £'000	Revaluation Reserve £'000	Pension Reserve £'000	Total £'000
Opening balance	197,532	655,860	(46,957)	806,435
Comprehensive net expenditure for year	(108,996)	0	0	(108,996)
In-year movement				
In year revaluation	0	33,349	0	33,349
Realised revaluation	8,171	(8,171)	0	0
Actuarial gain on pension scheme	(6,657)	0	6,657	0
Increase in pension liability	2,165	0	(2,165)	0
Total in-year movement	3,679	25,178	4,492	33,349
Funding				
Grants from Welsh Government	111,074	0	0	111,074
Balance at 31 March 2017	203,289	681,038	(42,465)	841,862

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

The notes on pages 59 to 87 form part of these accounts.

Comparative figures for the year ended 31 March 2016

	General Fund £'000	Revaluation Reserve £'000	Pension Reserve £'000	Total £'000
Opening balance	211,460	543,603	(76,104)	678,959
Comprehensive net expenditure for year	(107,547)	0	0	(107,547)
Transfer of function adjustment	(359)	0	(1,348)	(1,707)
In-year movement				
In year revaluation	0	120,287	0	120,287
Realised revaluation	8,030	(8,030)	0	0
Actuarial gain on pension scheme	(33,179)	0	33,179	0
Increase in pension liability	2,684	0	(2,684)	0
Total in-year movement	(22,465)	112,257	30,495	120,287
Funding				
Grants from Welsh Government	116,443	0	0	116,443
Balance at 31 March 2016	197,532	655,860	(46,957)	806,435

Note 1 Accounting policies

1.1 Requirement to prepare accounts

The financial statements have been prepared in accordance with the 2016/17 Government Financial Reporting Manual (FReM) issued by HM Treasury and with the accounts direction given by the Welsh Government in accordance with paragraph 23(1) of the Natural Resources Body for Wales (Establishment) Order 2012.

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

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

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

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

1.2 Accounting convention

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

These financial statements are based on the going concern principle.

1.3 Income, expenditure and grants

The accruals basis of accounting means that income and expenditure disclosed in the accounts are accounted for in the year that it takes place, not when cash payments are made or received, apart from option fees income received from windfarm operators which is included in the year in which it is received. To correspond to accounting treatment by Welsh Government, the net value of windfarm option fees after deducting the payment to Welsh Government, is shown within renewable energy income in note 6.

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

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

All grant contributions received have been recognised as income within the Statement of Comprehensive Net Expenditure.

1.4 Value added tax

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

1.5 Grant in aid

Grant in aid and other grants received from Welsh Government are treated as financing received from a controlling party and are credited directly to the general fund.

1.6 Internal drainage districts

On 1st April 2015 the functions, staff, and assets of Caldicot and Wentlooge, Lower Wye, and Powysland Internal Drainage Boards transferred to NRW. NRW now acts as the drainage board that runs the fourteen internal drainage districts in Wales. The work undertaken in each district is funded by a combination of drainage rates levied on occupiers of agricultural land and special levies paid by local authorities in respect of non-agricultural land.

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

The drainage rates, special levies and precepts for 2016/17 were set by NRW acting as the drainage board. This income is included in Note 6.

1.7 Adoption of new and revised IFRS or FReM interpretations

FReM

Every year HM Treasury issues a new FReM which interprets IFRS for the public sector. The form and content of the annual report and accounts for 2015/16 was changed in line with the amendments made to the FReM reflecting the outcomes of the Simplification and Streamlining Statutory Annual Report and Accounts project. The main changes included the introduction of three parts to the Annual Report and Accounts and the requirement to disclose policies and notes for material items only. For 2016/17 further lines have been merged in Notes 5, 7, 9 and 12 where appropriate, and figures for 2015/16 restated accordingly.

IFRS

In accordance with IAS 8, NRW has considered the impact of standards and interpretations which have been issued but are not yet effective and which have not been adopted early by NRW. With the exception of IFRS 16 Leases, it is anticipated that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of NRW. The impact of IFRS 16 Leases which has been issued by the IASB but not yet been adopted by the European Union and will apply from 2019/20, can not be estimated at this stage.

1.8 Financial provisions (Landfill sites)

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

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

- Renewable bonds (shown in note 11)
- Cash deposits with NRW (shown in note 11)
- Escrow accounts
- Local authority deed agreements
- Parent company guarantees
- Umbrella agreements (covering a number of sites)

1.9 Notes to the accounts

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

Notes 3 to 13 provide analysis of material figures reported in the statements of comprehensive net expenditure, financial position and cash flows.

Notes 14 to 20 relate to figures not disclosed elsewhere in these accounts.

2. Analysis of net operating expenditure by segment

For year to 31 March 2017

	OD & People Management	Finance & Corporate Services	Operations North & Mid Wales	Operations South	Evidence, Policy & Permitting	Office of the Chief Executive & Transformation	Centrally Controlled	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reported by segments								
Expenditure	7,185	29,238	58,069	29,598	36,727	4,049	17,385	182,251
Income	0	(35,423)	(25,873)	(2,269)	(1,697)	(77)	2,446	(62,893)
Total	7,185	(6,185)	32,196	27,329	35,030	3,972	19,831	119,358
Capital expenditure	0	6,315	211	376	358	0	0	7,260

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

Income and expenditure shown above were directly attributed to the segments

Description of segments

OD & People Management Provides organisational development and staff resource management.

Finance & Corporate Services Provides financial, ICT, legal and procurement support. Manages Natural Resources Wales's buildings and fleet.

Operations North & Mid Wales 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 Powys, and the capital programme management and forest harvesting.

Operations South Delivers statutory purposes and aspirations, at an operational level and via a network of local teams, within the counties of South Wales.

Evidence, Policy and Permitting Manages the strategic, environmental and spatial planning functions, permitting and flood and coastal risk management.

Office of the Chief Executive and Transformation The Office of the Chief Executive includes governance, audit and risk assurance, secretariat, external relations and communications, customer contact center, and transformation which manages the transformational programmes for NRW to enable us to be self sufficient.

Centrally Controlled Income and expenditure controlled centrally and not allocated to directorates. It includes depreciation, book value of fellings, year end accruals for provisions.

During 2016/17 the work of National Services was moved to Operations North & Mid Wales and to the Evidence, Policy and Permitting directorates. It is not possible to restate 2015/16 figures to show a notional relocation of work undertaken in that year. The Legal team moved to Finance and Corporate Services. External Relations and Communications, and Transformation moved to the Office of Chief Executive.

Although reported separately to management, Chief Executive, External Relations and Communications, and Transformation are within the same directorate (Office of the Chief Executive) and therefore have been aggregated here. The expenditure in the Office of the Chief Executive is 2.2% of the total expenditure.

Analysis of net operating expenditure by segment (continued)

Comparative figures for the year ended 31 March 2016

	Transforma tion	OD & People Management	Finance & Corporate Services	National Services	Operations North & Mid Wales	Operations South	Knowledge Strategy & Planning	Chief Executive, Governance & Planning	External Relations & Communi- cations	Chief Information Officer	Centrally Controlled	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reported by segments												
Expenditure	956	2,467	18,873	44,907	27,909	33,041	27,117	3,584	980	12,725	16,251	188,810
Income	0	0	(36,216)	(23,278)	(4,019)	(2,893)	(1,877)	0	0	(27)	2,066	(66,244)
Total	956	2,467	(17,343)	21,629	23,890	30,148	25,240	3,584	980	12,698	18,317	122,566
Capital expenditure	0	0	703	1,820	358	320	4	0	0	6,207	9	9,421

3. Staff costs

Details of staff costs and numbers are now disclosed from page 46 within the Accountability Report.

4. Capital works expensed in year

	2016/17	2015/16	31 March 2017	31 March 2016
Categories	Actual £'000	Actual £'000	Committed £'000	Committed £'000
Operational Work	17,431	13,368	14,323	2,304
Capital grants	1,971	1,466	692	1,481
Total	19,402	14,834	15,015	3,785

Capital works expensed in year relates to expenditure which is capital in nature but where NRW does not retain the related risks and rewards of ownership or cannot reliably estimate the useful life of the asset.

Operational work includes:

- Work to ensure that the condition of the flood defences are retained in the appropriate condition and restored to that condition as necessary.
- Creation, improvement or heightening of embankments along watercourses to reduce the risk of the water escaping from the river channel.
- Production of multi-layered maps which provide information on flooding from groundwater, rivers and the sea for Wales, and including information on flood defences and the areas benefiting from those flood defences.
- Installation of piles along the river banks to strengthen them and secure the adjacent land and prevent landslips into the river causing obstructions. These works would largely be below ground.
- Repairing or replacing culverts under land, roads and properties and channel improvements that assist the flow of watercourses.
- Development of strategies 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.
- Preparation of Water Level Management Plans and Catchment Flood Management Plans, improvements to locks and other waterways, telemetry replacement and fish habitats improvement.

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.

5. Other expenditure

	2016/17 £'000	2015/16 £'000
Cash items		
Bought in services	17,811	20,324
Service levels agreements	6,493	9,535
Reservoir operating agreements	5,542	6,892
Materials and equipment	3,843	4,073
Office running costs	3,727	3,871
ICT costs	3,572	3,086
Forest roads network maintenance	3,320	3,955
Grants	3,251	5,384
Fleet costs	3,203	2,794
Collaborative agreements	2,421	2,894
Rents	2,089	2,007
Staff related costs	2,075	2,026
Travel and subsistence	1,146	2,360
Fees and court costs	1,064	852
Operational costs	933	3,609
Losses and special payments	914	57
Rates	840	795
Statutory audit fees	185	143
European grants	100	33
Finance lease interest	33	51
Sub-total	62,562	74,741
Non-cash expenditure		
Depreciation, amortisation and impairment	11,246	9,787
Value of sold timber	7,935	6,970
Losses	173	793
Movement on provision for doubtful debt	(63)	57
Movement on other provisions	(705)	(17)
(Gain) / Loss on disposal	196	406
Sub-total	18,782	17,996
Total	81,344	92,737

Details of write-offs and special payments are now shown in the Accountability section on page 51.

In 2015/16 the payment of windfarm option fees of £2,660k was included above under 'Operational costs'. For 2016/17 the payment of £1,695k has been netted off against 'Renewable energy income' in Note 6.

6. Income analysis

	2016/17 £'000	2015/16 £'000
Abstraction charges	17,988	18,797
Environmental permitting regulations: water quality	6,560	6,272
Environmental permitting regulations: installations	3,043	3,033
Environmental permitting regulations: waste	2,311	2,183
Nuclear regulation	1,783	1,765
Fishing licences	1,161	1,380
Other environmental protection charges	1,058	1,218
Hazardous waste	1,013	1,013
Water resources rechargeable works	620	675
Emissions trading and carbon reduction commitment	266	311
Marine licensing	262	322
Charge Income	36,065	36,969
Timber income	16,070	16,475
Renewable energy income	3,336	4,927
Income from estates	2,720	2,917
Internal drainage district income	1,617	1,401
Provision of information and services	920	923
Legal costs recovered and Proceeds of Crime Act income	264	589
Miscellaneous income	164	(52)
Interest receivable	43	55
Income towards site clean up costs	13	500
Commercial and other income	25,147	27,735
Grants and contributions	1,194	748
European income ⁺	487	792
European and other external funding	1,681	1,540
Total income	62,893	66,244

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

For 2016/17 the payment of £1,695k for windfarm option fees has been netted off against 'Renewable energy income' above. In 2015/16 the payment of £2,660k was included in Note 5 under 'Operational costs'.

6.1 Analysis of fees and charges

Year ending 31 March 2017	Income billed £'000	Expenditure £'000	Surplus/ (Deficit) £'000
Abstraction charges	18,219	17,988	231
Environmental permitting regulations: water quality	6,643	6,560	83
Environmental permitting regulations: installations	3,090	3,043	47
Environmental permitting regulations: waste	2,177	2,311	(134)
Nuclear regulation	1,758	1,783	(25)
Fishing licences	1,161	1,161	0
Other environmental protection charges	966	1,058	(92)
Hazardous waste	1,006	1,013	(7)
Water resources rechargeable works	620	620	0
Emissions trading and carbon reduction commitment	280	266	14
Marine licences	262	262	0
Total	36,182	36,065	117

Comparative figures - year ending 31 March 2016	Income billed £'000	Expenditure £'000	Surplus/ (Deficit) £'000
Abstraction charges	17,613	18,797	(1,184)
Environmental permitting regulations: water quality	6,506	6,272	234
Environmental permitting regulations: installations	3,380	3,033	347
Environmental permitting regulations: waste	2,111	2,183	(72)
Nuclear regulation	1,709	1,765	(56)
Fishing licences	1,380	1,380	0
Other environmental protection charges	1,002	1,218	(216)
Hazardous waste	959	1,013	(54)
Water resources rechargeable works	675	675	0
Marine licences	322	322	0
Emissions trading and carbon reduction commitment	298	311	(13)
Total	35,955	36,969	(1,014)

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.

Accumulated surpluses and deficits 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 will be 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.

The above table of fees and charges differs from income reported in note 6 due to the policy stated above. The cumulative surpluses and deficits are included in accrued and deferred income in notes 9 and 11 respectively.

Costs funded by grant-in-aid have been excluded from the table above. 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 is full cost recovery including current cost depreciation and a rate of return on relevant assets.

The key activities of each area are listed below:

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

7. Non-current assets

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

Recognition

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

Measurement

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

Assets classified as heritage assets comprise land within designated conservation areas. This land is held in support of NRW's purpose. Because of the diverse nature of the land held and the lack of comparable market values, NRW considers that obtaining external valuations would involve disproportionate cost. Heritage assets are therefore held at cost. Preservation costs (expenditure required to preserve the heritage asset) are recognised in the Statement of Comprehensive Net Expenditure when they are incurred. Further information on heritage assets can be found in Note 7.1.2.

Assets capitalised as under construction are carried at cost and transferred to the appropriate non-current asset category when completed and ready for use.

Indexation and Revaluation

Land and buildings and public structures (reported within operational structures) are subject to professional revaluation every five years in accordance with the Royal Institution of Chartered Surveyors (RICS) valuation standards. These assets were last professionally revalued at 31 March 2016 by chartered surveyors and signed off by a registered valuer. The chartered surveyors were John Clegg & Co, Cooke and Arkwright, Lambert Smith Hampton, Llewellyn Humphreys, Williams Rural & Commercial, Strutt & Parker, Bidwells and internal land agents.

All valuers who undertook the quinquennial revaluation, were members of the RICS and are Registered Valuers in accordance with the RICS Valuer Registration Scheme, apart from those valuers who have undertaken certain infrastructure valuations on heritage assets. Those valuations were quality assured by the NRW Principal Surveyor. All valuers had sufficient current local and national knowledge of the particular market, and the skills and understanding to undertake the valuation competently.

All our freehold and leasehold offices commercial properties were last valued at 31 March 2016 by external valuers, Elizabeth Hill and Alan Jones of Cooke & Arkwright Chartered Surveyors.

The valuations of other land, public structures and specialist assets were arranged by our in-house team of Chartered Surveyors, under the direction of the Principal Surveyor.

For those assets where we have future rental income on our land we used external professional surveyors. Cefn Croes Windfarm was valued by Bidwells and the telecommunications portfolio by Strutt & Parker.

For specialised assets where there are no market comparables, the estimate of 'fair value' has been estimated using a depreciated replacement cost approach.

Operational structures are used in NRW'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.

In between professional revaluations, the forest estate, land, buildings, operational structures and biological assets are indexed annually using an appropriate index.

Where movement in the indices for plant and machinery, information technology and intangible assets are material, these assets are re-valued under the modified historical cost convention.

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

Depreciation and amortisation

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

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

The estimated asset lives are reviewed, and adjusted if appropriate, at each reporting date. The principal useful lives used for depreciation purposes are:

Asset category	Principal useful life
Tangible assets	
Buildings and dwellings	10 - 60 years
Plant and machinery	4 - 25 years
Information technology	3 - 10 years
Operational structures	5 - 100 years
Intangible assets	
Software licences	5 - 25 years
Other licences	5 - 100 years
Software development	3 - 10 years
Website	5-10 years

The range in the useful lives above reflects the variety of assets within the asset categories.

Disposals

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

Revaluation Reserve

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

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

An amount representing the difference between the depreciation charged on the revalued 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.

Impairment

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

Non-current assets held for sale

Non-current assets are classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use. 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.

7.1 Tangible non-current assets

	Forest estate	Other land	Buildings	Plant and machinery	Information technology	Operational structures	Assets under construction	Total Property Plant & Equipment	Biological assets	Heritage assets	Total Tangible Assets
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2016	611,803	53,918	12,782	24,373	12,894	67,654	3,185	786,609	102,450	6,432	895,491
Additions	0	2	1,282	1,030	0	304	600	3,218	0	0	3,218
Assets commissioned in year	0	4	0	1,212	426	884	(2,355)	171	0	0	171
Disposals and derecognition	0	(180)	(234)	(4,201)	0	(82)	(612)	(5,309)	0	0	(5,309)
Movement from/(to) held for sale	0	(519)	(365)	(75)	0	0	0	(959)	0	0	(959)
Fellings	(5,872)	0	0	0	0	0	0	(5,872)	(2,109)	0	(7,981)
Indexation and revaluation	26,667	2,099	1,019	0	0	4,081	0	33,866	5,302	0	39,168
Reclassification	0	(30)	0	(186)	0	14	0	(202)	0	0	(202)
At 31 March 2017	632,598	55,294	14,484	22,153	13,320	72,855	818	811,522	105,643	6,432	923,597
Depreciation											
At 1 April 2016	0	0	315	17,586	6,063	10,644	0	34,608	0	0	34,608
Charged in year	0	0	579	1,814	4,142	2,512	0	9,047	0	0	9,047
Disposals and derecognition	0	0	(61)	(3,884)	0	(40)	0	(3,985)	0	0	(3,985)
Movement from/(to) held for sale	0	0	(139)	(60)	0	0	0	(199)	0	0	(199)
Indexation and revaluation	0	0	0	0	0	464	0	464	0	0	464
Reclassification	0	0	0	(104)	0	6	0	(98)	0	0	(98)
At 31 March 2017	0	0	694	15,352	10,205	13,586	0	39,837	0	0	39,837
Carrying amount at 1 April 2016	611,803	53,918	12,467	6,787	6,831	57,010	3,185	752,001	102,450	6,432	860,883
Carrying amount at 31 March 2017	632,598	55,294	13,790	6,801	3,115	59,269	818	771,685	105,643	6,432	883,760
Asset Financing											
Owned	588,482	50,276	13,790	6,351	3,115	59,269	818	722,101	105,643	6,432	834,176
Leased	44,116	5,018	0	450	0	0	0	49,584	0	0	49,584
Carrying amount at 31 March 2017	632,598	55,294	13,790	6,801	3,115	59,269	818	771,685	105,643	6,432	883,760

Buildings include dwellings with a carrying amount of £290k. Our other buildings are offices and workbases.

The amount held in the Revaluation Reserve for these assets at 31st March 2017 was £690,049k. (£654,488k at 1st April 2016).

Comparative figures for the year ended 31 March 2016

	Forest estate	Other land	Buildings	Plant and machinery	Information technology	Operational structures	Assets under construction	Total Property Plant & Equipment	Biological assets	Heritage assets	Total Tangible Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation											
At 1 April 2015	524,297	39,657	20,881	23,756	13,912	58,909	3,025	684,437	117,881	6,432	808,750
Additions from transfer of function	0	152	364	758	19	180	0	1,473	0	0	1,473
Additions	0	206	0	140	0	21	2,427	2,794	0	0	2,794
Assets commissioned in year	0	101	0	1,213	0	566	(1,880)	0	0	0	0
Asset review adjustments and write-offs	0	(95)	0	(238)	(1,195)	(540)	0	(2,068)	0	0	(2,068)
Prior year costs expensed	0	0	0	0	0	(436)	(387)	(823)	0	0	(823)
Disposals	(33)	(469)	(225)	(1,272)	(19)	0	0	(2,018)	0	0	(2,018)
Movement from/(to) held for sale	9	788	0	0	0	0	0	797	0	0	797
Fellings	(5,072)	0	0	0	0	0	0	(5,072)	(1,822)	0	(6,894)
Indexation and revaluation	92,602	12,556	(8,274)	16	177	9,283	0	106,360	(13,609)	0	92,751
Reclassification	0	1,022	36	0	0	(329)	0	729	0	0	729
At 31 March 2016	611,803	53,918	12,782	24,373	12,894	67,654	3,185	786,609	102,450	6,432	895,491
Depreciation											
At 1 April 2015	0	0	5,320	16,245	3,299	14,673	0	39,537	0	0	39,537
Additions from transfer of function	0	0	193	516	14	57	0	780	0	0	780
Charged in year	0	0	644	2,187	3,858	1,751	0	8,440	0	0	8,440
Asset review adjustments and write-offs	0	0	0	(208)	(1,172)	(156)	0	(1,536)	0	0	(1,536)
Prior year costs expensed	0	0	0	0	0	(48)	0	(48)	0	0	(48)
Disposals	0	0	(191)	(1,161)	(15)	0	0	(1,367)	0	0	(1,367)
Indexation and revaluation	0	0	(5,718)	7	79	(5,566)	0	(11,198)	0	0	(11,198)
Reclassification	0	0	67	0	0	(67)	0	0	0	0	0
At 31 March 2016	0	0	315	17,586	6,063	10,644	0	34,608	0	0	34,608
Carrying amount at 1 April 2015	524,297	39,657	15,561	7,511	10,613	44,236	3,025	644,900	117,881	6,432	769,213
Carrying amount at 31 March 2016	611,803	53,918	12,467	6,787	6,831	57,010	3,185	752,001	102,450	6,432	860,883
Asset Financing											
Owned	568,985	49,516	12,467	6,120	6,831	57,010	3,185	704,114	102,450	6,432	812,996
Leased	42,818	4,402	0	667	0	0	0	47,887	0	0	47,887
Carrying amount at 31 March 2016	611,803	53,918	12,467	6,787	6,831	57,010	3,185	752,001	102,450	6,432	860,883

Buildings include dwellings with a carrying amount of £350k. Our other buildings are offices and workbases.

7.1.1 Forest estate

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

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

Assets in both categories are shown at fair value. External professional valuers undertake a valuation of the estate at five yearly intervals. John Clegg & Co were appointed as valuers for the last valuation as at 31 March 2016. In accordance with the Royal Institution of Chartered Surveyors (RICS)'s Appraisal and Valuation Standards (the Red Book), the estate was valued as appropriate for obtaining a fair value. In the intervening years, custom indices are provided by Clegg & Co and are used to restate values. Natural Resources Wales and its external professional valuers have developed processes, including key assumptions, which produce a reasonable estimate of a compliant valuation.

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

Estimation techniques, assumptions and judgements

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

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

It is also considered that the most appropriate market-based evidence of value is derived from the market for the sale of woodlands and forests over 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. The value of leasehold land is estimated to be 15% less than freehold land.

The apportionment of trees between biological assets and property, plant and equipment was carried out by Natural Resources Wales staff using judgements and estimates. An assessment was made of the proportion primarily held for economic purposes and the resulting percentage was used to determine the value of trees classed as a biological asset. Should there be an acquisition or disposal of land that would create a total change in our forest estate land holding of ten per cent or more, an interim review of the assessment would take place. There was no such change during the period ending 31 March 2017. The percentage split is currently 26% for biological assets and 74% for Property, Plant and Equipment. As required under IAS 41, the fair value of biological assets is reduced by estimated costs to the point of sale. These costs are estimated at five per cent of timber values and reflect the costs of selling the woodland or forest.

Lake Vyrnwy joint afforestation scheme

Natural Resources Wales manages a forest in the Lake Vyrnwy area under a joint afforestation scheme with Severn Trent Water. Income is received and costs incurred by Natural Resources Wales and an annual payment of 50% of the operating surplus is paid to Severn Trent Water. 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 Severn Trent Water's property is not included.

7.1.2 Heritage assets

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

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

As at 31 March 2017 Natural Resources Wales manages 58 of Wales's National Nature Reserves, either entirely, or in partnership and one Marine Nature Reserve (MNR). No material land purchases have been made during the last three financial years.

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

<http://naturalresources.wales/conservation-biodiversity-and-wildlife/find-protected-areas-of-land-and-seas/?lang=en>

7.2 Intangible non-current assets

	Software Licences	Other Licences	Software Development Expenditure	Web Site	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 31 March 2016	5,895	2,419	4,392	161	6,461	19,328
Additions	124	16	2,551	189	1,162	4,042
Assets commissioned in year	643	0	4,853	122	(5,789)	(171)
Disposals and derecognition	(44)	(9)	0	0	(173)	(226)
Indexation and revaluation	0	0	0	0	0	0
Reclassification	172	30	0	0	0	202
At 31 March 2017	6,790	2,456	11,796	472	1,661	23,175
Amortisation						
At 31 March 2016	2,257	56	3,643	32	0	5,988
Charged in year	1,048	30	1,058	63	0	2,199
Disposals and derecognition	(44)	(3)	(2)	0	0	(49)
Indexation and revaluation	0	0	0	0	0	0
Reclassification	98	0	0	0	0	98
At 31 March 2017	3,359	83	4,699	95	0	8,236
Carrying Amount at 1 April 2016	3,638	2,363	749	129	6,461	13,340
Carrying Amount at 31 March 2017	3,431	2,373	7,097	377	1,661	14,939
Asset Financing						
Owned	3,431	2,373	7,097	377	1,661	14,939
Carrying Amount at 31 March 2017	3,431	2,373	7,097	377	1,661	14,939

The amount held in the Revaluation Reserve for these assets at 31st March 2017 was £989k. (£1,372k at 1st April 2016)

Comparative figures for the year ended 31 March 2016

	Software Licences	Other Licences	Software Development Expenditure	Web Site	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 April 2015	5,130	2,607	4,554	165	862	13,318
Additions from transfer of function	8	0	0	0	0	8
Additions	377	0	0	0	6,250	6,627
Assets commissioned in year	632	0	0	0	(632)	0
Asset review adjustments and write-offs	(108)	0	(118)	0	0	(226)
Prior year adjustments	0	0	0	0	(19)	(19)
Disposals	(57)	0	0	0	0	(57)
Indexation and revaluation	(87)	541	(44)	(4)	0	406
Reclassification	0	(729)	0	0	0	(729)
At 31 March 2016	5,895	2,419	4,392	161	6,461	19,328
Amortisation						
At 1 April 2015	1,509	28	3,384	0	0	4,921
Additions from transfer of function	7	0	0	0	0	7
Charged in year	900	28	388	31	0	1,347
Asset review adjustments and write-offs	(98)	0	(118)	0	0	(216)
Disposals	(54)	0	0	0	0	(54)
Indexation and revaluation	(7)	0	(11)	1	0	(17)
At 31 March 2016	2,257	56	3,643	32	0	5,988
Carrying Amount at 1 April 2015	3,621	2,579	1,170	165	862	8,397
Carrying Amount at 31 March 2016	3,638	2,363	749	129	6,461	13,340
Asset Financing						
Owned	3,638	2,363	749	129	6,461	13,340
Carrying Amount at 31 March 2016	3,638	2,363	749	129	6,461	13,340

8. Financial liabilities and instruments

8.1 Financial liability

The financial liability of £39,998k reported in the Statement of Financial Position includes £39,844k of liability from reservoir operating agreements.

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

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

£5,332k was paid to Dŵr Cymru Welsh Water during 2016/17 (2015/16: £5,226k) for the indexed fixed payments. These are included with other payments under the reservoir operating agreements in Note 5.

8.2 Financial instruments

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

9. Trade and other receivables

	31 March 2017	31 March 2016
	£'000	£'000
Trade receivables	3,700	6,520
Provision for doubtful debt	(350)	(413)
VAT receivable	3,763	3,129
Accrued income	3,367	3,869
Prepayments	1,607	2,009
Other receivables	139	158
Deposit	23	23
Accrued European income	0	1,201
Total	12,249	16,496

10. Cash and cash equivalents

	31 March 2017	31 March 2016
	£'000	£'000
Opening balance	22,735	26,798
Net change in cash and cash equivalent balances	4,066	(4,063)
Total	26,801	22,735

The following balances were held at 31 March

Government Banking Service	18,906	17,695
Other bank accounts	7,894	5,039
Cash in hand	1	1
Total	26,801	22,735

11. Trade and other payables

	31 March 2017	31 March 2016
	£'000	£'000
Deferred income	6,687	6,976
Trade payables accrual	3,867	7,273
Holiday pay	1,622	1,606
Bonds and deposits	1,425	1,425
Finance leases	458	718
Trade payables	291	1,464
Other payables	134	106
Total	14,484	19,568

12. Provisions

	Early departure costs £'000	Other £'000	Total £'000
Balance at 1 April 2016	259	1,323	1,582
Provided in the year	78	520	598
Released in year	0	(1,225)	(1,225)
Used in the year	(132)	0	(132)
Balance at 31 March 2017	205	618	823
Estimated timing of discounted cash flows			
Due within one year	149	618	767
Due between one and five years	56	0	56
Total	205	618	823

In line with the requirement of IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), where material, Natural Resources Wales provides for obligations arising from past events where there is a present obligation at the reporting date, it is probable that we will be required to settle the obligation and a reliable financial estimate can be made.

Provision for early departure costs consist of annual compensation payments to former staff who left under legacy bodies' early retirement programmes.

Other provisions include £511k of grant offers to fund work to be undertaken up to 31 March 2017 but which will not to be claimed until June 2017 and £107k for other claims. It is expected that all of these will be paid within the next twelve months.

The cost of additional provision for the early departure costs provision are included in note 3. 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 doubtful debt, also shown in note 5, is included in total provision for doubtful debt in note 9 and included in the Statement of Financial Position under receivables.

13. Pension obligations

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

Civil Service Pension Scheme

CSPS is open to new employees.

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) 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 3.8% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on 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. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age.

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

Local Government Pension Scheme (LGPS)

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

EAPF operates a statutory, defined benefit pension scheme, 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.

The total pension charge for NRW was £8.710 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 triennial actuarial valuation of the EAPF was at 31 March 2016. The assets taken at market value (£2.7 billion) were sufficient to cover 103% of the value of liabilities in respect of past service benefits which had accrued to members. NRW has accepted the independent actuary's recommendation in respect of future employer contributions. The next triennial actuarial valuation will be as at 31st March 2019 and will be used to set employer contribution rates for the three year period starting 1st April 2020.

The annual report and financial statements for the EAPF report that it had sufficient assets to meet 102% of its expected future liabilities at 31 March 2017 on an ongoing funding basis. NRW's share of the EAPF's liabilities as reported in these financial statements is calculated using different actuarial assumptions, required by IAS19, to those used in the EAPF's annual report. This leads to a different funding level to that reported by the EAPF.

The main difference in assumption is the discount rate used to value pension liabilities. The EAPF discount rate is based on long term UK government bond yields and assumes a level of future asset outperformance by the bonds owned by the EAPF. The discount rate used in these financial statements, as required by IAS19 is based on high quality corporate bond yields, with no additional asset performance assumption. The sensitivity analysis in note 13.4 indicates the sensitivity of the fund liabilities to a difference in discount rate.

A number of assumptions are made as part of the actuarial valuation process. The prudent actuarial assumptions used do not represent a view on what future pay movements may be. It has been assumed that present and future pensions in payment will increase at the rate of 2.1% per annum. The estimated contribution payable by NRW, excluding any discretionary lump sum payments, for the year to 31 March 2018 will be approximately £6.450 million.

The notes below set out the disclosure requirements of IAS 19 for the current year in relation to NRW's participation in the EAPF. All calculations have been made by a qualified independent actuary and were based on the most recent actuarial valuation of the fund at 31 March 2016 updated to 31 March 2017. The assumptions underlying the calculation of a net liability at 31 March 2017 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 NRW to the pension fund will continue to be set by reference to assumptions agreed at each triennial actuarial valuation of the scheme.

13.1 Financial and longevity assumptions

Period Ended	31 Mar 2017	31 Mar 2016
	% p.a.	% p.a.
Pension Increase Rate	2.10%	1.90%
Salary Increase Rate	2.40%	3.40%
Discount Rate	2.60%	3.50%

Average future life expectancy at 65	Males	Females
Current Pensioners	22.6 years	24.4 years
Future Pensioners (People aged 65 in 20 years)	24.3 years	26.7 years

13.2 Fair Value of Assets for the year ended 31 March 2017

Asset Category	31 March 2017 (£'000)				
	Quoted	Unquoted	Undetermined	Total	%
Equity Securities:					
Common Stock	99,382	326	176	99,883	31%
Preferred Stock	0	0	0	0	0%
Rights/Warrants	0	0	0	0	0%
Other Equity Assets	1,052	0	0	1,052	0%
Debt Securities:					
UK Government Bonds	0	33,139	0	33,139	10%
Corporate Bonds	0	25,816	68	25,883	8%
Other	0	1,504	0	1,504	0%
Pooled Investment Vehicles:					
Equities	2	0	52,077	52,079	16%
Bonds	733	0	31,386	32,119	10%
Funds - Common Stock	2,089	0	10,745	12,834	4%
Funds - Real Estate	394	1,618	10,537	12,549	4%
Funds - Venture Capital	0	0	0	0	0%
Venture Capital and Partnerships:					
Partnerships & Real Estate	0	26,229	2,038	28,267	9%
Other Investment:					
Stapled Securities	737	0	0	737	0%
Derivative Contracts:					
Equity Derivatives - Futures	(0)	0	0	(0)	0%
Forward FX Contracts	0	246	0	246	0%
Cash and Cash equivalents					
All	0	(2)	23,249	23,247	7%
Totals	104,388	88,876	130,276	323,540	100%

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

Period ended 31 March 2017	Assets	Obligations	Net (liability)/ asset
	£'000	£'000	£'000
Fair value of employer assets	267,390	0	267,390
Present value of liabilities	0	314,347	(314,347)
Present value of unfunded liabilities	0	0	0
Opening Position as at 31 March 2016	267,390	314,347	(46,957)
Service cost			
- Current service cost*	0	6,623	(6,623)
- Past service cost (including curtailments)	0	2,087	(2,087)
- Effect of settlements	0	0	0
Total service cost	0	8,710	(8,710)
Net interest			
- Interest income on plan assets	9,409	0	9,409
- Interest cost on defined benefit obligation	0	11,060	(11,060)
- Impact of asset ceiling on net interest	0	0	0
Total net interest	9,409	11,060	(1,651)
Total defined benefit cost recognised in Profit or (Loss)	9,409	19,770	(10,361)
Cashflows			
- Plan participants' contributions	2,031	2,031	0
- Employer contributions	8,196	0	8,196
- Contributions in respect of unfunded benefits	0	0	0
- Benefits paid	(6,968)	(6,968)	0
- Unfunded benefits paid	0	0	0
Effect of business combinations and disposals	0	0	0
Expected closing position	280,058	329,180	(49,122)
Remeasurements			
- Change in demographic assumptions	0	612	(612)
- Change in financial assumptions	0	57,459	(57,459)
- Other experience	0	(21,246)	21,246
- Return on assets excluding amounts included in net interest	43,482	0	43,482
- Changes in asset ceiling	0	0	0
Total remeasurements recognised in Other Comprehensive Income (OCI)	43,482	36,825	6,657
Exchange differences	0	0	0
Fair value of employer assets	323,540		323,540
Present value of funded liabilities		366,005	(366,005)
Present value of unfunded liabilities		0	0
Closing position as at 31 March 2017	323,540	366,005	(42,465)

* The current service cost includes an allowance for administration expenses of 0.4% of payroll.

13.4 Sensitivity analysis

Change in assumptions at 31 March 2017:	Approximate % increase to employer liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	11%	41,210
0.5% increase in the Salary Increase Rate	3%	9,160
0.5% increase in the Pension Increase Rate	9%	31,372

14. Capital commitments

	31 March 2017 £'000	31 March 2016 £'000
Property plant and equipment		
Plant and machinery	312	24
Transport equipment	0	759
IT equipment	0	48
Operational structures	481	222
Total	793	1,053
Intangible assets		
Information technology - software licences	6	0
Information technology - software development	195	590
Total	201	590

15. Commitments under leases

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

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

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

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

15.1 Operating leases

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

	31 March 2017			
	Land	Buildings	Vehicles	Total
	£'000	£'000	£'000	£'000
Obligations under operating leases are:				
Not later than one year	70	1,826	394	2,290
Later than one year and not later than five years	232	3,552	687	4,471
Later than five years	1,366	2,468	0	3,834
Total value of obligations	1,668	7,846	1,081	10,595
	31 March 2016			
	Land	Buildings	Vehicles	Total
	£'000	£'000	£'000	£'000
Obligations under operating leases are:				
Not later than one year	92	1,763	424	2,279
Later than one year and not later than five years	295	4,548	496	5,339
Later than five years	1,562	1,696	0	3,258
Total value of obligations	1,949	8,007	920	10,876

15.2 Finance leases

	31 March 2017		
	Land	Vehicles	Total
	£'000	£'000	£'000
Obligations under finance leases are:			
Not later than one year	13	129	142
Later than one year and not later than five years	38	69	107
Later than five years	209	0	209
Total value of obligations	260	198	458

	31 March 2016		
	Land	Vehicles	Total
	£'000	£'000	£'000
Obligations under finance leases are:			
Not later than one year	13	260	273
Later than one year and not later than five years	38	198	236
Later than five years	209	0	209
Total value of obligations	260	458	718

16. Other financial commitments

Natural Resources Wales has entered into non-cancellable contracts not reported elsewhere. The total payments to which Natural Resources Wales is committed at 31 March 2017 are :

	31 March 2017	31 March 2016
	£'000	£'000
Not later than one year	8,033	18,241
Later than one year and not later than five years	20,734	18,971
Later than five years	201	3,895
Total	28,968	41,107

17. Lease receivables

Assets leased to external parties under an operating lease are capitalised under the appropriate accounting policy as outlined in Note 7. Operating lease income is accounted for on a straight line basis and the future minimum lease payments receivable under non-cancellable operating leases are as follows:

	31 March 2017	31 March 2016
	£'000	£'000
Not later than one year	726	697
Later than one year and not later than five years	2,243	2,474
Later than five years	6,341	6,540
Total	9,310	9,711

18. Contingent liabilities

Natural Resources Wales has the following contingent liabilities:

	31 March 2017	31 March 2016
	£'000	£'000
Public and employee liability	111	605
Contractors' claims	0	0
Total	<u>111</u>	<u>605</u>

Natural Resources Wales discloses contingent liabilities in accordance with IAS 37.

The above table does not include values for the following contingent liabilities:-

There is a job evaluation process nearing completion which will create a single, unified structure of jobs and grades for all in Natural Resources Wales. The scheme will identify compensation for back pay for those staff whose role is judged to be of a higher grade than what they are currently being paid if it meets certain defined criteria.

A claim is being made by a third party for the use of stones by NRW and one of its predecessor bodies. The claim is being resisted in large part of the basis it is statute - barred and negotiations are ongoing in respect of the use of stone in the period that is not statute - barred.

19. Events after the end of the reporting period

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

20. Related parties

Natural Resources Wales is a Sponsored Body of the Welsh Government, which is regarded as a related party. During the year NRW has had significant material transactions with the Welsh Government in the normal course of business (the grant-in-aid and grants received from Welsh Government 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, NRW has had various material transactions with other government departments and other central government bodies. Most of these transactions have been with Environment Agency, Forestry Commission and HMRC.

During the year NRW, in the normal course of its business, entered into the following transactions with the following organisations in which Board and Executive Members or other related parties had an interest. The Board and Executive Members have no direct involvement in the transactions with these related parties.

We have shown transactions for the full year including where members have joined or left during the year.

Organisation	Member	Nature of relationship	Total payments	Total income	Amount owed by NRW at 31 March 2017	Amount owed to NRW at 31 March 2017
			£'000	£'000	£'000	£'000
Aberystwyth University	Emyr Roberts	Council Member and Chair of the Audit and Risk Committee	0	5	0	0
Canal and River Trust	Ruth Hall	Member of Board in Wales and National Council	28	21	0	21
Cardiff University (Public Policy Institute for Wales)	Ruth Hall	Governor/Vice Chair	22	11	0	1
Cardiff Metropolitan University	Sir Paul Williams	Honorary Fellow	0	1	0	0
DEFRA: Joint Nature Conservation Committee and Support Company DEFRA Audit and Risk Committee	Diane McCrea/ Madeleine Havard Nigel Reader Nigel Reader	Board Member of JNCC & Non-Executive Director of JNCC Support Co. Independent member of JNCC Audit and Risk Assurance Committee. Ex-officio member (as board member of Natural England).	8	0	0	0
Animal and Plant Health Agency	Nigel Reader	Temporary member and chair of Audit & Risk Committee				
Groundwork North Wales	Karen Balmer	Chief Executive	6	0	0	0
Leonard Cheshire Disability	Elizabeth Haywood	Board Member and Trustee	0	1	0	0
National Trust	Ruth Hall	Council member	201	13	0	0
Natural England	Nigel Reader	Non-Executive Board Member and Audit Committee Chair	138	8	14	0
North East Wales Wildlife Ltd	Karen Balmer	Trustee	4	0	0	0
North Wales Wildlife Trust	Howard Davies	Trustee and Honorary Vice President	165	0	0	0
SP Energy Network Holding Ltd	Elizabeth Haywood	Non-Executive Director	0	24	0	6
Swansea University	Emyr Roberts	Honorary Professor	88	5	85	1
TGV Hydro Ltd	Chris Blake	Director	32	3	0	0

Annex 1 Corporate Environmental Report

We have made the commitment that Sustainable Management of Natural Resources (SMNR) 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 year has been to:

- reduce our carbon footprint;
- ensure our environmental management system¹ (EMS) conforms to the revised ISO14001:2015 environmental standard;
- continue to embed our EMS into the culture of the organisation and contribute to the principles of Sustainable Management of Natural Resources (SMNR);
- delivery of the Natural Resources Wales (NRW) Carbon Positive Project;
- attaining UK Spill accreditation to meet the requirements of the NRW incident management enabling plan

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 and Accounts. During the coming years, we will continue to improve our corporate environmental reporting in working towards Integrated Reporting.

Summary of Performance

This year we have:

- met our target to reduce our carbon footprint by 5% in relation to occupied buildings energy use and business travel;
- attained certification to the ISO14001:2015 environmental standard following independent external audits and verification, demonstrating our own commitment to achieving the highest possible environmental standards as an organisation;
- retained UK Woodland Assurance Standard for the Welsh Government Woodland Estate we manage, following independent external audits and verification, this enables us to produce FSC/PEFC² certified timber from the Welsh Government Woodland Estate we manage;
- attained UK spill accreditation for the first time

¹ The scope of our EMS is applicable to: “Activities and services associated with the sustainable management of the environment and the natural resources of Wales”

² Forest Stewardship Council (FSC). Programme for the Endorsement of Forest Certification (PEFC). As supported by our [UK Woodland Assurance Standard](#) accreditation

Table 1: Corporate Environmental report summary table

Area	Units	2015/16	2016/17	Change
Greenhouse gas emissions ¹	Consumption (tCO ₂ e)	6,021	5,115	Decrease
Estate energy	Consumption (million kWh)	6.9	6.3	Decrease
	Expenditure (£k)	657	776	Increase
Estate waste	Generated (tonnes)	864	1,424	Increase
	Expenditure (£k)	205	225	Increase
Estate water	Consumption (m ³)	78,395	76,283	Decrease
	Expenditure (£k)	39	32	Decrease

Table 1 reflects relative change for key areas in the last year. More detail around each can be found within the related sections of this report. In summary:

- overall carbon emissions in 2016/17 were reduced by 15.0% compared with the previous year
- energy use decreased in 2016/17 by 7.7% compared with 2015/16 data
- waste generated increased in 2016/17, this was mainly due to the sewage treatment plant at Coed y Brenin being inoperative throughout the year and the requirement to tanker 500 tonnes of sewage off-site to comply with the sites discharge permit
- water consumption decreased in 2016/17 by 2.7% compared with 2015/16 data

Summary of Future Strategy

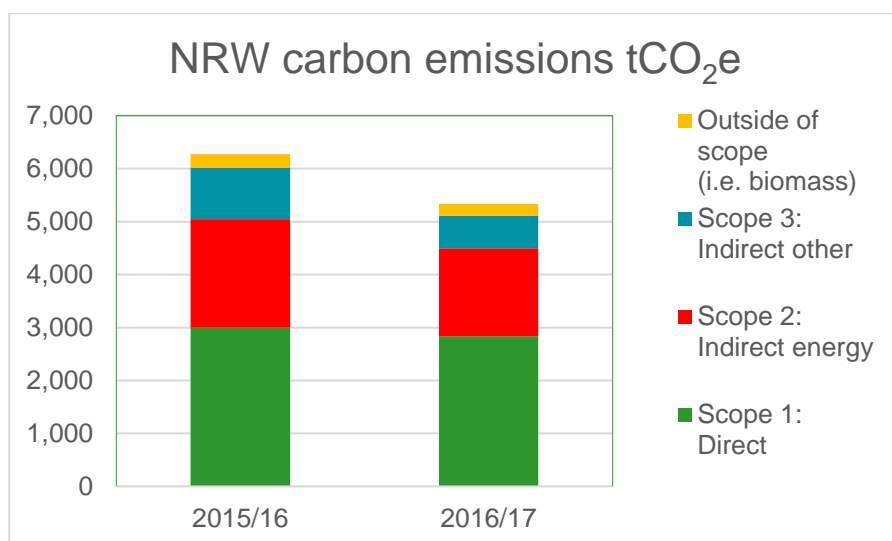
Next year we want to:

- Reduce our carbon footprint further and have set a target to reduce our carbon dioxide emissions (tCO₂e) from occupied buildings, travel and water use by 5% based on 2016/17 data
- Maintain certification against the UK Woodland Assurance Standard
- Improve the status of designated features, access and interpretation on protected sites we manage
- Reduce the average emissions of cars in the NRW fleet

¹ (Scopes 1, 2 and 3 including air/rail travel and excluding outside of scopes emissions)

Greenhouse Gas Emissions

Our greenhouse gas emissions are outlined below:



Overall carbon emissions in 2016/17 were reduced by 15.0% compared with the previous year.

Scope 1 direct emissions were reduced by 5.5%, this was due to the decrease in red diesel use by operational teams.

Scope 2 energy indirect emissions were reduced by 18.8% due to the reduction in electricity usage in both offices and unmanned buildings. The DEFRA factor for electricity emissions in 2016/17 was also lower, which contributed to lower emissions compared with previous years.

Scope 3 other indirect emissions were reduced by 36.7%, although grey vehicle and hire car emissions increased, the overall reduction was due to the reduction in lease car emissions following the withdrawal of the NRW lease car scheme.

Table 2: Greenhouse gas emissions

Greenhouse gas emissions	2015/16	2016/17	Change
Scope 1: Direct GHG emissions (tCO ₂ e)	2,999	2,835	Decrease
Scope 2: Energy indirect emissions (tCO ₂ e)	2,048	1,662	Decrease
Scope 3: Other indirect GHG emissions (tCO ₂ e)	974	617	Decrease
Total gross GHG emissions (tCO₂e)	6,021	5,115	Decrease
<i>Outside of scopes (i.e. biomass)</i>	253	220	Decrease

Note: Data not externally verified – Limited Assurance.
(The cost of external verification of the data would be £5-10K/year.)

Note: The Scope 3 other indirect greenhouse gas emissions include; train travel, air travel, grey fleet travel, lease car travel, hire car travel, water and waste.

Note: Scope 3 emissions from the purchase of goods and services, aggregates use in construction and timber use are not included.

Waste Minimisation and Management

We have continued to improve the number of waste streams we can report in line with our target to measure and report on all NRW waste streams. The office waste sent to landfill was reduced by 9.4% in 2016/17 compared with the previous year.

The largest increase in waste was due to the sewage treatment plant at Coed y Brenin being inoperative throughout the year and the requirement to tanker 500 tonnes of sewage off-site to comply with the sites discharge permit.

Fly-tip is any waste deposited illegally by 3rd parties on land we manage, once deposited we become the owners and are responsible for the disposal and associated costs

The increase in fly-tip waste can be attributed to the fact we are now recording fly-tip waste in the South East and South West regions whereas in previous years this data was not available.

Table 3: Waste Generated

Waste generated	Units	2015/16	2016/17	Change
Office waste Landfilled	Consumption (tonnes)	266	241	Decrease
	Consumption (tCO2e)	122	101	Decrease
	Expenditure (£k)	25	22	Decrease
Office waste Recycled / reused	Consumption (tonnes)	451	934	Increase
	Consumption (tCO2e)	9	20	Increase
Office waste Incinerated	Consumption (tonnes)	14	15	Increase
	Consumption (tCO2e)	< 1	< 1	Increase
Fly tipped waste	Consumption (tonnes)	133	234	Increase
	Consumption (tCO2e)	32	65	Increase
Total waste	Consumption (tonnes)	864	1,424	Increase
	Consumption (tCO2e)	164	186	Increase
	Expenditure (£k)	205	225	Increase

Water

Mains water consumption in our offices reduced by 13.2% compared with the previous year. Our water use intensity is below average for water use², and we have set a further 5% reduction target for 2017/18.

Abstraction of water used to operate our fish hatchery site was the most significant water abstraction use this year, at 62,689 m³. We also abstract water at some of our visitor centres and remote sites where mains water is not available.

Table 4: Water Consumption

Resource use – Estate water	Units	2015/16	2016/17	Change
Water supplied: Office use	Consumption (m ³)	6,830	5,923	Decrease
Water supplied: Non-office use:				
- Mains supply	Consumption (m ³)	5,555	5,488	Decrease
- Abstraction	Consumption (m ³)	65,981	64,850	Decrease
- Rainwater	Consumption (m ³)	29	22	Decrease
Water use intensity (for Office use)	m ³ per FTE	3.4	3.3	Decrease
Water supplied: Total	Consumption (m ³)	78,395	76,283	Decrease
	Expenditure (£k)	39	32	Decrease
	Consumption (tCO ₂ e)	27	26	Decrease

² Average = 4m³ per FTE (Source: Water Key Performance Indicators and benchmarks for offices and hotels. C657 CIRIA www.ciria.org)

Energy

Our energy use (which includes electric, mains gas, LPG, heating oil and biomass) in both occupied and unoccupied buildings has decreased this year, In the last year we have also generated 1.4% of our own energy use from onsite solar power. Our largest renewable installation (photovoltaic panels at the Maes Y Ffynnon office in Bangor) generated 24,649 kWh during the year. We aim to increase the number of onsite renewables on our own buildings in 2017/18 using funding from the Welsh Governments invest to save scheme.

Table 5: Energy Consumption

Resource use – Estate energy	Units	2015/16	2016/17	Change
Energy used: Occupied sites	Consumption (kwh)	5,550,100	5,209,072	Decrease
	Consumption (tCO ₂ e)	2,011	1,723	Decrease
Energy used: Unoccupied sites	Consumption (kwh)	1,319,745	1,131,651	Decrease
	Consumption (tCO ₂ e)	610	466	Decrease
Renewable energy: Self-generated	Generation (kwh)	81,713	76,649	Decrease
	Consumption (% of energy used)	1.4%	1.4%	No Change
Energy used: Total	Consumption (kwh)	6,869,845	6,340,723	Decrease
	Consumption (tCO ₂ e)	2,621	2,189	Decrease
	Expenditure (£k)	657	777	Increase

Sustainable Procurement

Sustainable procurement takes into account the economic, environmental and social impacts in our buying decisions. It allows our organisation to meet its need for goods and services in a way that achieves value for money on a whole-life basis, whilst also providing opportunities for Welsh SMEs. These key principles are reflected in our Sustainable Procurement Strategy 2015-2017, and our progress is reported throughout the year in our Business Plan Dashboard.

We have developed a Market Approach Plan which allows requisitioners to question the need to buy, and to consider in practical terms the impact of their purchase and all available options before entering into a contract. The plan also contains the Sustainability Impact Assessment, which examines the impact of the purchase on a whole life cost basis, and identifies mitigation controls.

In the forthcoming year, we will be building on this approach to consider the environmental and socio economic impact of procurement by further aligning to, and integrating, the provisions of the Well-being of Future Generations (Wales) and Environment (Wales) Acts, whilst also taking into account risk, scope and influence. This will enable us to work with suppliers ensuring their commitment to sustainability, and will help target areas where the best results can be realised. We will also continue to deliver community benefits introduced through key contract awards, and report on the outcomes delivered.

Travel

Our travel needs include: working to manage sites, responding to serious environmental incidents, taking samples, dealing with flooding and site meetings. This year overall we have travelled 8,158,327 miles a reduction of 11.1% compared with the previous year.

Table 6: Travel detail

Travel by vehicle	Units	2015/16	2016/17	Change
Badged vehicles	Miles travelled	5,833,839	6,064,812	Increase
	Expenditure (£k)	800	768	Decrease
Lease vehicles	Miles travelled	1,649,345	191,730	Decrease
	Expenditure (£k)	162	18	Decrease
Grey vehicles ³	Miles travelled	552,343	639,064	Increase
	Expenditure (£k)	244	287	Increase
Hire	Miles travelled	256,654	322,505	Increase
	Expenditure (£k)	59	74	Increase
Train	Miles travelled	865,693	864,366	Decrease
	Expenditure (£k)	221	223	Increase
Air	Miles travelled	18,898	71,057	Increase
	Expenditure (£k)	6	19	Increase
Bicycle	Miles travelled	1,944	2,346	Increase
	Expenditure (£k)	< 1	< 1	Increase
Motorbike	Miles travelled	4,475	2,447	Decrease
	Expenditure (£k)	1	1	Decrease
Total vehicle travel	Miles travelled	9,183,191	8,158,327	Decrease
	Expenditure (£k)	1,493	1,390	Decrease

Overall mileage was reduced due to the reduction in lease car travel following the withdrawal of the NRW lease car scheme. Some of the lease car mileage was taken up by badged, grey and hire car mileage but the bulk of the mileage was a saving.

The cost of badged vehicles currently includes fuel only.

Air mileage increased significantly due to three staff travelling to Japan in 2016/17.

We will continue to reduce travel using our travel decision tree and by increasing the use of skype conferencing, which will reduce the need to travel further.

Environmental incidents

There have been ten environmental incidents as a result of our work or that of our contractors and ten near misses. This compares with eighteen environmental incidents and three near misses in the previous year. None of these incidents were classified as serious 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.

Behaviour change

As part of our work to embed our Environmental Management System (EMS) into the culture of our organisation, we have delivered a number of training courses to staff.

³ Grey vehicles are staff's own private vehicles

Training areas have included awareness raising around our key environmental procedures, waste management, timber procurement and incident response.

Governance and Reporting

We report on our carbon footprint as part of our performance framework, which is reported by the Executive Team to the Board (in open public session) three times each 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. We have improved our biomass and waste data reporting and baselines in this report. We also look to minimise use of any estimated data in our reporting, and we are working to improve in this area.

Carbon Positive Project

The NRW Carbon Positive Project is looking beyond the carbon emissions we currently report to evaluate NRW's net carbon status. We have now completed an assessment of the net carbon status inclusive of all our corporate emissions using available data or estimates where necessary and modelled outputs for the carbon sequestered in our forests and peatlands.

In accounting for both greenhouse gas emissions and carbon sequestration across the whole of NRW's estate, the calculation builds upon the information from our EMS to understand the carbon footprint of the organisation in its wider sense e.g. emissions from the purchase of goods and services, timber production and construction. A report setting out the approach and the calculation will be published in autumn 2017.

Alongside this work, the project has delivered a series of demonstration projects, including electric vehicles and charging infrastructure, renewables on flood risk assets, peatland restoration, woodland planting and carbon assessment and management in large procurement frameworks. These have been undertaken to assess their delivery and identify lessons learnt that can be shared across the Welsh public sector.

The project has also evaluated the range of potential mitigation opportunities to reduce our carbon impact as an organisation, seeking input from both staff and other organisations. We are currently reviewing these measures to identify those that should be future priorities for the organisation based on their cost, carbon reduction potential and other benefits. These measures will then be programmed into a three to five year plan for future implementation from 2018 onwards to embed carbon management across the organisation. This plan will be principally for internal use and will be finalised in late 2017.

The project will be sharing our approach and experiences through a series of events in late 2017 to disseminate our best practice and lessons learnt in carbon management across the Welsh public sector to assist in the delivery of Wales' goals for accelerated decarbonisation.



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