

# **Financial statements and notes to the accounts for 2023/24**

# Statement of Comprehensive Net Expenditure

For the year ended 31 March 2024

	Note	2023/24 £'000	2022/23 £'000
Staff costs	3	131,482	124,851
Capital works expensed in year	4	48,463	32,768
Other expenditure	5	119,698	114,528
<b>Total operating expenditure</b>	Not Applicable	299,643	272,147
Charge income	6	(49,664)	(40,028)
Commercial and other income	6	(46,483)	(49,132)
Welsh Government Grants	6	(34,455)	(22,234)
European and other external funding	6	(2,900)	(4,750)
<b>Income from contracts with customers</b>	Not Applicable	(133,502)	(116,144)
<b>Net operating expenditure before gain on revaluation of biological and financial assets</b>	<b>Not Applicable</b>	<b>166,141</b>	<b>156,003</b>
Gain/loss on revaluation of biological assets	7.1	38,143	2,636
Gain/loss of revaluation of financial assets/liabilities	9 / 10	1,349	(313)
<b>Net expenditure for the year after gain on revaluation of biological and financial assets</b>	<b>Not Applicable</b>	<b>205,633</b>	<b>158,326</b>
Financing on pension scheme assets and liabilities	16.2.5	(3,677)	1,667
Finance charges	8.2	101	117
Net (gain)/loss on revaluation	Not Applicable	(324)	(58)

	Note	2023/24 £'000	2022/23 £'000
<b>Deficit/(Surplus) for the year</b>	Not Applicable	<b>201,733</b>	<b>160,052</b>
<b>Table Section: Other comprehensive net expenditure</b>			
Pension actuarial remeasurements	16.2.5	11,022	(129,425)
Gain on revaluation of property, plant and equipment	SoCTE	(40,749)	(186,965)
<b>Total comprehensive net expenditure for the year</b>	<b>Not Applicable</b>	<b>172,006</b>	<b>(156,338)</b>

## Statement of Financial Position

As at 31 March 2024

Table section: Non-current assets	Note	31 March 2024 £'000	31 March 2023 £'000
Property plant and equipment	7.1	2,137,597	2,127,219
Heritage assets	7.1	7,530	7,474
Biological assets	7.1	402,189	447,864
Intangible assets	7.2	33,848	31,647
Right of use assets	8.1	83,874	69,815
Financial assets	10	15,009	16,358
Long term receivables	11	11,940	3,462
Pension Asset	16.2.5	57,911	65,345
<b>Total non-current assets</b>	<b>Not Applicable</b>	<b>2,749,898</b>	<b>2,769,184</b>
<b>Table section: Current assets</b>			
Property, plant and equipment held for sale	Not Applicable	1	9

<b>Table section: Non-current assets</b>	<b>Note</b>	<b>31 March 2024 £'000</b>	<b>31 March 2023 £'000</b>
Inventories	Not Applicable	2,500	612
Trade and other receivables	11	45,121	38,889
Payments on account	12	19,000	-
Cash and cash equivalents	13	9,787	5,077
<b>Total current assets</b>	Not Applicable	76,409	44,587
<b>Total assets</b>	<b>Not Applicable</b>	<b>2,826,307</b>	<b>2,813,771</b>
<b>Table section: Current liabilities</b>			
Trade and other payables	14	(79,373)	(49,077)
Lease liabilities	8.2	(2,339)	(2,367)
Provisions	15	(3,002)	(1,083)
<b>Total current liabilities</b>	Not Applicable	(84,714)	(52,527)
<b>Assets less current liabilities</b>	<b>Not Applicable</b>	<b>2,741,593</b>	<b>2,761,244</b>
<b>Table section: Non-current liabilities</b>			
Long term lease liabilities	8.2	(8,221)	(8,276)
Financial liabilities	9	(39,435)	(39,435)
Long term payables	14	(11,331)	(3,054)
<b>Total non-current liabilities</b>	Not Applicable	(58,987)	(50,765)
<b>Assets less liabilities</b>	<b>Not Applicable</b>	<b>2,682,606</b>	<b>2,710,479</b>
<b>Table section: Taxpayers' equity and other reserves</b>			
General fund	SoCTE	517,260	554,611
Revaluation reserve	SoCTE	2,107,435	2,090,523

<b>Table section: Non-current assets</b>	<b>Note</b>	<b>31 March 2024</b>	<b>31 March 2023</b>
		<b>£'000</b>	<b>£'000</b>
Pensions reserve	SoCTE	57,911	65,345
<b>Total taxpayers' equity</b>	<b>Not Applicable</b>	<b>2,682,606</b>	<b>2,710,479</b>

## Statement of Cash Flows

### For the year ended 31 March 2024

	<b>Note</b>	<b>2023/24</b>	<b>2022/23</b>
		<b>£'000</b>	<b>£'000</b>
<b>Table section: Cash flows from operating activities</b>			
Net operating expenditure	SoCNE	(166,141)	(156,003)
Adjustment for non-cash transactions	Not Applicable	39,825	49,741
Movement in trade and other receivables	11	(14,710)	(12,364)
Movement in payments on account	12	(19,000)	-
Movement in trade and other payables	14	38,573	10,192
Movement in financial liabilities	SoFP	-	(409)
Movement in provisions	SoFP	(33)	817
<b>Net cash flow from operating activities</b>	<b>Not Applicable</b>	<b>(121,486)</b>	<b>(108,026)</b>
<b>Table section: Cash flows from investing activities</b>			
Purchase of tangible assets	7.1	(7,383)	(6,368)
Purchase of intangible assets	7.2	(7,710)	(7,120)
Proceeds on disposal of property, plant and equipment	Not Applicable	215	816
Proceeds on disposal of financial assets	Not Applicable	-	1,827

	Note	2023/24 £'000	2022/23 £'000
Net cash flow from investing activities	Not Applicable	(14,878)	(10,845)
<b>Table section: Cash flows from financing activities</b>			
Funding from Welsh Government	SoCTE	144,133	117,777
Repayment of lease liabilities	8.2	(3,059)	(2,822)
<b>Net Financing</b>	<b>Not Applicable</b>	<b>141,074</b>	<b>114,955</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>	Not Applicable	<b>4,710</b>	<b>(3,916)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	Not Applicable	<b>5,077</b>	<b>8,993</b>
<b>Cash and cash equivalents at the end of the period</b>	13	<b>9,787</b>	<b>5,077</b>

## Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2024

	General Fund £'000	Revaluation Reserve £'000	Pension Reserve £'000	Total £'000
<b>Opening balance</b>	<b>554,611</b>	<b>2,090,523</b>	<b>65,345</b>	<b>2,710,479</b>
Comprehensive net expenditure for year	(172,006)	-	-	(172,006)
Revaluation reallocation *	1,505	(1,505)	-	-
<b>Table section: In-year movement</b>				
Revaluation of Property, Plant and Equipment	(28,685)	28,685	-	-
Revaluation of right of use assets	(12,064)	12,064	-	-

Realised revaluation	22,332	(22,332)	-	-
Actuarial movement on pension scheme	11,022	-	(11,022)	-
Increase in pension liability	(3,588)	-	3,588	-
<b>Total in-year movement</b>	<b>(10,983)</b>	<b>18,417</b>	<b>(7,434)</b>	<b>-</b>
<b>Table section: Funding</b>				
Funding from Welsh Government	144,133	-	-	<b>144,133</b>
<b>Balance at 31 March 2024</b>	<b>517,260</b>	<b>2,107,435</b>	<b>57,911</b>	<b>2,682,606</b>

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

General Fund - reflects the cumulative position of net expenditure and funding from Welsh Government.

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

Pension Reserve - reflects the cumulative position of the net liabilities of the pension scheme.

### Comparative figures for the year ended 31 March 2023

	<b>General Fund</b>	<b>Revaluation Reserve</b>	<b>Pension Reserve</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Opening Balance</b>	<b>565,154</b>	<b>1,926,189</b>	<b>(54,374)</b>	<b>2,436,969</b>
IFRS 16 Retained Earnings adjustment	(605)	-	-	<b>(605)</b>
Comprehensive net expenditure for year	156,338	-	-	<b>156,338</b>
<b>Table section: In-year movement</b>				
Revaluation of Property, Plant and Equipment	(179,497)	179,497	-	-
Revaluation of right of use assets	(7,468)	7,468	-	-
Realised revaluation	22,631	(22,631)	-	-

Actuarial movement on pension scheme	(129,425)	-	129,425	-
Increase in pension liability	9,706	-	(9,706)	-
<b>Total in-year movement</b>	<b>(284,053)</b>	<b>164,334</b>	<b>119,719</b>	<b>-</b>
<b>Table section: Funding</b>				
Funding from Welsh Government	117,777	-	-	<b>117,777</b>
<b>Balance at 31 March 2023</b>	<b>554,611</b>	<b>2,090,523</b>	<b>65,345</b>	<b>2,710,479</b>

## Note 1 Accounting policies

### 1.1 Requirement to prepare accounts

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

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

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

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

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

### 1.2 Accounting convention

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

These financial statements are based on the going concern principle.



### 1.3 Grant-in-aid

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

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

### 1.4 Income, expenditure and grants

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

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

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

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

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

### 1.5 Inventories

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

### 1.6 Value added tax

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

## 1.7 Internal drainage districts

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

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

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

## 1.8 Tangible assets

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

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

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

### Changes in accounting policies

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

### Changes in accounting estimates

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

### IFRS's Effective in these financial statements

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

### IFRS's Effective for future financial years

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

#### *IAS 1 - Presentation of Financial Statements*

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

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

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

### *IFRS 16 - Leases*

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

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

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

### *IFRS 17 – Insurance Contracts*

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

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

## **1.10 Financial provisions (Landfill sites)**

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

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

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

## 1.11 Notes to the accounts

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

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

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

## 2. Analysis of net operating expenditure by segment

### For the year ended 31 March 2024

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

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

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

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

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

## Comparative figures for the year ended 31 March 2023

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

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

	<b>Finance &amp; Corporate Services</b>	<b>Operations</b>	<b>Evidence, Policy &amp; Permitting</b>	<b>Customer, Communications and Commercial</b>	<b>Corporate Strategy and Development</b>	<b>Centrally Controlled</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>

**Table section: Reported by segments**

Fees and charges	39,496	369	163	-	-	-	40,028
Commercial	343	38,579	246	9,732	232	-	49,132
Welsh Government Grants	84	6,924	15,226	-	-	-	22,234
European and other external funding	-	3,530	1,220	-	-	-	4,750
<b>Total</b>	<b>39,923</b>	<b>49,402</b>	<b>16,855</b>	<b>9,732</b>	<b>232</b>	<b>-</b>	<b>116,144</b>

**Table section: Reported by segments**

Government	1,969	9,743	15,550	-	232	-	27,494
Non-Government	37,954	39,659	1,305	9,732	-	-	88,650
<b>Total</b>	<b>39,923</b>	<b>49,402</b>	<b>16,855</b>	<b>9,732</b>	<b>232</b>	<b>-</b>	<b>116,144</b>



# Analysis of net operating expenditure by segment (continued)

## Description of segments

### Finance & Corporate Services

The Finance and Corporate Services Directorate provides financial services, audit and risk assurance, ICT services, buildings, fleet management and the renewal programme.

During 2023/24, permanent arrangements were put in place to manage fees and charges within the Evidence, Policy & Permitting directorate rather than within Finance and Corporate Services. In previous years, the associated income has been reported as Finance and Corporate Services income but from 2023/24, they are reported as Evidence, Policy and Permitting income. The reporting of costs associated with the fees and charges remain the same as in previous years.

### Operations

The Operations Directorate has principal responsibility for achieving the sustainable management of natural resources in Wales' geographical area, including its marine environment, across the range of NRW's remit. Also provides capital programme management, commercial operations and planning and marine services for the whole of Wales.

### Evidence, Policy and Permitting

The Evidence, Policy & Permitting Directorate provides outward-facing central co-ordination for the organisation, leading on policy and strategy development, evidence, tools, standards, guidance and advice to enable other NRW teams, WG colleagues and partners fulfil their remit. There are also some direct delivery roles within the Directorate such as the Permitting Service and Flood Forecasting Service. As mentioned above, from 2023/24 onwards, income from fees and charges are managed within this directorate and therefore the income reported reflects this change.

### Customer Communications and Commercial

External relations, communications and customer contact centre. This also includes responsibility for commercial services and procurement support.

## **Corporate Strategy and Development**

The Corporate Strategy and Development Directorate leads a number of NRW's cross-cutting functions, including strategic planning and performance; continuous improvement and programme management; organisational development and staff engagement; and corporate governance. It also supports the NRW Board and Chief Executive.

## **Centrally Controlled**

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

### 3. Staff costs

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

	<b>Permanent Staff</b>	<b>Other Staff</b>	<b>Total</b>	<b>Total</b>
	<b>2023/2024</b>	<b>2023/2024</b>	<b>2023/2024</b>	<b>2022/2023</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	99,303	8,842	108,145	98,571
Social security & Other taxation costs	10,742	778	11,520	10,180
Other pension costs	23,970	686	24,656	21,978
<b>Total net salary costs</b>	<b>134,015</b>	<b>10,306</b>	<b>144,321</b>	<b>130,729</b>
Other expenditure for staff	Not Applicable	Not Applicable	117	8,258
Less amounts charged to capital projects	Not Applicable	Not Applicable	(12,956)	(14,136)
<b>Total staff costs</b>	<b>Not Applicable</b>	<b>Not Applicable</b>	<b>131,482</b>	<b>124,851</b>

## 4. Capital works expensed in year

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

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

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

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

### Flood Risk

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

- Restoration and refurbishment  
Work to ensure that the condition of the flood defences are retained in the appropriate condition and restored to that condition as necessary.
- Embankments  
Creation, improvement or heightening of embankments along watercourses to reduce the risk of the water escaping from the river channel.
- Flood Mapping

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

#### Piling

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

#### Culverts and channel improvements

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

#### Flood risk management strategies

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

#### Flood management plans

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

### **Nature and Climate Emergency and Other Programmes**

- Improving Protected Sites

Actions to improve the condition of protected sites and their features, and to build Resilient Ecological Networks (RENs) with protected sites at their core. Includes activities across protected sites, on the NRW estate and by others through supported advice, guidance and funding mainly through Land Management Agreements (LMAs).

- Peatland

Work to support the National Peatland Action Programme.

- Water Quality Improvement

Capital works to deliver improvement to water quality to improve compliance with the Water Environment (Water Framework Directive) (England and Wales) Regulations 2017.

- Fisheries

Works that improve Fish Habitat to secure future fish stocks and/or address the major high-risk barriers to fish migration that impede both upstream and downstream movement as well as adversely affecting river morphology.

- Metal Mines

Detailed design of water treatment systems to prevent water pollution from mines. Feasibility studies, development of audits around the mines to divert the water away from the mines.

- Improving conservation status

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

- Reservoir safety works  
Improvements to reservoirs where the Reservoirs Act 1975 places that responsibility on the reservoir owner. Specifically these measures are taken in the interests of safety.
- National Forest  
Projects to help woodland sites gain National Forest status. Capital investment in existing NF's to maintain status.
- Other works  
Includes improvements to locks and other waterways, telemetry replacement.

## 5. Other expenditure

	2023/24	2022/23
	£'000	£'000
<b>Table section: Cash items</b>		
Bought in services	19,533	23,512
Reservoir operating agreements	12,066	11,492
ICT costs	8,093	7,866
Forest roads network maintenance	6,272	5,725
Office running costs	5,479	3,825
Materials and equipment	3,801	3,932
Fleet costs	2,997	2,746
Service level agreements	2,678	2,561
Staff related costs	2,534	2,631
Collaborative agreements	1,831	2,245
Grants	1,818	1,637
Travel and subsistence	1,080	1,096
Fees and court costs	932	846
Operational costs	739	732
Rates	692	710

	<b>2023/24</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Losses and special payments <sup>1</sup>	328	112
Rents	295	383
Statutory audit fees	231	182
<b>Sub-total</b>	<b>71,399</b>	<b>72,425</b>
<b>Table section: Non-cash expenditure</b>		
Value of sold timber	25,501	26,476
Depreciation, amortisation and impairment	14,252	13,881
Movement on reservoir operating agreements	8,478	(194)
Losses <sup>1</sup>	80	266
Movement on expected credit loss	55	81
Derecognition of assets <sup>2</sup>	28	67
Movement on other provisions	(32)	817
(Gain) / Loss on disposal	(63)	709
<b>Sub-total</b>	<b>48,299</b>	<b>42,103</b>
<b>Total</b>	<b>119,698</b>	<b>114,528</b>

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

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

## 6. Income analysis

For the year ended 31 March 2024

	<b>2023/24</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Abstraction charges <sup>1</sup> .	29,774	21,452
Environmental permitting regulations: water quality	7,586	6,993
Environmental permitting regulations: installations	3,682	3,263
Environmental permitting regulations: waste	2,317	2,182
Other environmental protection charges	1,925	1,750
Fishing licences	1,135	1,026
Hazardous waste	1,085	1,389
Nuclear regulation	842	781
Water resources rechargeable works	742	698
Emissions trading	334	143
Marine licensing	242	351
<b>Charge Income</b>	<b>49,664</b>	<b>40,028</b>
Timber income	31,914	33,652
Renewable energy income <sup>2</sup> .	7,977	9,688
Income from estates	2,952	2,686
Internal drainage district income	1,516	1,462
Provision of information and services	1,489	1,492
Miscellaneous income	359	51
Legal costs recovered and Proceeds of Crime Act income	246	101



	<b>2023/24</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Interest receivable	30	-
<b>Commercial and other income</b>	<b>46,483</b>	<b>49,132</b>
<b>Welsh Government Grants</b>	<b>34,455</b>	<b>22,234</b>
European income <sup>3</sup> .	2,390	3,773
Grants and contributions	510	977
<b>European and other external funding</b>	<b>2,900</b>	<b>4,750</b>
<b>Total income</b>	<b>133,502</b>	<b>116,144</b>

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

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

<sup>3</sup> Including income claimed via Welsh European Funding Office for European funded projects.

## 6.1 Analysis of fees and charges

Year ending 31 March 2024

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

## Comparative figures – year ending 31 March 2023

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

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

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

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

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

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

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

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

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

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

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

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

The key activities of each area are listed below:

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

## 7. Non-current assets

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

### Recognition

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

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

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

## Measurement

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

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

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

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

## Indexation and Revaluation

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

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

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

## Rolling Programme

Reporting column in Note 7.1	Class of Asset	Valuation Methodology	Date of previous full valuation	Process for 2023/24	Valuer
<b>Forest Estate</b>	Forest Estate	Fair value	31 March 2021	Interim valuation	Savills
<b>Freehold Land</b>	Agricultural Land - Equipped Asset	Fair value	31 March 2023	Interim valuation	Internal

<b>Reporting column in Note 7.1</b>	<b>Class of Asset</b>	<b>Valuation Methodology</b>	<b>Date of previous full valuation</b>	<b>Process for 2023/24</b>	<b>Valuer</b>
<b>Freehold Land</b>	Agricultural Land - Unequipped	Fair value	31 March 2022	Interim valuation	Internal
<b>Freehold Land</b>	Other Welsh Government Woodland Estate Land	Fair value	31 March 2021	Interim valuation	Savills
<b>Freehold Land</b>	Freehold Land	Fair value	31 March 2022	Interim valuation	Internal
<b>Other Land</b>	Wind Farms	Fair value	31 March 2023	Full valuation	Internal
<b>Other Land</b>	Hydro Schemes	Fair value	31 March 2023	Full valuation	Internal
<b>Other Land</b>	Third party Access	Fair value	31 March 2023	Full valuation	Internal
<b>Other Land</b>	Telecom Masts	Fair value	31 March 2023	Full valuation	Internal
<b>Other Land</b>	Mineral Leases	Fair value	31 March 2023	Full valuation	Internal
<b>Other Land</b>	Other Agreements	Fair value	31 March 2023	Full valuation	Internal
<b>Other Land</b>	Forest Holidays	Fair value	31 March 2023	Full valuation	Internal
<b>Buildings</b>	Dwellings	Fair value	31 March 2022	Interim valuation	Internal
<b>Buildings</b>	Offices & Commercial	Fair value	31 March 2022	Interim valuation	Internal
<b>Buildings</b>	Other buildings (Non-Specialised)	Fair value	31 March 2022	Interim valuation	Internal

<b>Reporting column in Note 7.1</b>	<b>Class of Asset</b>	<b>Valuation Methodology</b>	<b>Date of previous full valuation</b>	<b>Process for 2023/24</b>	<b>Valuer</b>
<b>Buildings</b>	Depots (specialised)	Depreciated replacement cost	31 March 2022	Interim valuation	Internal
<b>Buildings</b>	Deer Larders (specialised)	Depreciated replacement cost	31 March 2022	Interim valuation	Internal
<b>Buildings</b>	Toilet Blocks (specialised)	Depreciated replacement cost	31 March 2022	Interim valuation	Internal
<b>Buildings</b>	Bird Hides	Depreciated replacement cost	31 March 2022	Interim valuation	Internal
<b>Buildings</b>	Visitor and Information Centres (specialised)	Depreciated replacement cost	31 March 2022	Interim valuation	Internal
<b>Buildings</b>	Other (specialised)	Depreciated replacement cost	31 March 2022	Interim valuation	Internal
<b>Operational Structures</b>	Boreholes	Modified historic cost	N/A	Indexed	Internal
<b>Operational Structures</b>	Gauging Station	Modified historic cost	N/A	Indexed	Internal
<b>Operational Structures</b>	Locks & Weirs	Modified historic cost	N/A	Indexed	Internal
<b>Operational Structures</b>	Sea & River Structures	Modified historic cost	N/A	Indexed	Internal
<b>Operational Structures</b>	Sluices	Modified historic cost	N/A	Indexed	Internal
<b>Operational Structures</b>	Other	Modified historic cost	N/A	Indexed	Internal
<b>Operational Structures</b>	Pumping Stations	Modified historic cost	N/A	Indexed	Internal



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

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

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

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

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

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

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

## Depreciation and amortisation

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

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

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

Asset Category	Principal useful life
<b>Table section: Tangible assets</b>	
Buildings and Dwellings	10 - 60 years
Plant and Machinery	4 - 25 years
Information Technology	3 - 10 years
Operational Structures	5 - 100 years
<b>Table section: Intangible assets</b>	
Software licences	5 - 25 years
Other licences	5 - 50 years
Software developments	3 - 10 years

Asset Category	Principal useful life
Website	5 - 10 years

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

Other licences also include assets which are held in perpetuity.

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

## Disposals

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

## Revaluation Reserve

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

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

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

## Impairment

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

## Non-current assets held for sale

Non-current assets are classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale within 12 months of the reporting date is considered to be highly probable, management is committed to a plan to sell and the asset is being actively marketed in its present condition at a price which is reasonable in relation to its current condition.

Depreciation ceases immediately on the classification of the assets as being held for sale. They are stated at the lower of their carrying amount and fair value less costs to sell and are recorded as current assets in the Statement of Financial Position.

## 7.1 Tangible non-current assets

	Forest estate £'000	Other land £'000	Buildings £'000	Plant and machinery £'000	Information technology £'000	Operational structures £'000	Assets under construction £'000	Total Property, Plant & Equipment £'000	Biological assets £'000	Heritage assets £'000	Total Tangible Assets £'000
<b>Table section: Cost or Valuation</b>											
<b>At 1 April 2023</b>	1,787,442	246,111	14,366	26,992	13,702	94,556	3,525	<b>2,186,694</b>	447,864	7,474	<b>2,642,032</b>
Additions	-	1,039	134	1,640	18	91	4,461	<b>7,383</b>	-	-	<b>7,383</b>
Assets commissioned in year	-	-	-	-	-	-	-	-	-	-	-
Disposals, derecognition and write-offs	-	(4)	-	(824)	(12,376)	(103)	-	<b>(13,307)</b>	-	-	<b>(13,307)</b>
Movement from/(to) held for sale	8	-	(1)	(244)	-	-	-	<b>(237)</b>	-	-	<b>(237)</b>
Fellings	(19,857)	-	-	-	-	-	-	<b>(19,857)</b>	(7,532)	-	<b>(27,389)</b>
Indexation and revaluation	(23,842)	51,143	231	-	-	1,655	-	<b>29,187</b>	(38,143)	-	<b>(8,956)</b>
Reclassification	-	1,570	-	111	32	595	(2,291)	<b>17</b>	-	56	<b>73</b>
<b>At 31 March 2024</b>	<b>1,743,751</b>	<b>299,859</b>	<b>14,730</b>	<b>27,675</b>	<b>1,376</b>	<b>96,794</b>	<b>5,695</b>	<b>2,189,880</b>	<b>402,189</b>	<b>7,530</b>	<b>2,599,599</b>
<b>Table section: Depreciation</b>											
<b>At 1 April 2023</b>	-	-	1,156	16,796	12,947	28,576	-	<b>59,475</b>	-	-	<b>59,475</b>
Charged in year	-	-	642	1,756	148	3,157	-	<b>5,703</b>	-	-	<b>5,703</b>
Disposals, derecognition and write-offs	-	-	-	(677)	(12,376)	(87)	-	<b>(13,140)</b>	-	-	<b>(13,140)</b>

	Forest estate £'000	Other land £'000	Buildings £'000	Plant and machinery £'000	Information technology £'000	Operational structures £'000	Assets under construction £'000	Total Property, Plant & Equipment £'000	Biological assets £'000	Heritage assets £'000	Total Tangible Assets £'000
Movement from/(to) held for sale	-	-	-	(246)	-	-	-	(246)	-	-	(246)
Indexation and revaluation	-	-	11	-	-	480	-	491	-	-	491
Reclassification	-	-	-	(19)	-	19	-	-	-	-	-
<b>At 31 March 2024</b>	-	-	1,809	17,610	719	32,145	-	52,283	-	-	52,283
<b>Table section: Carrying Amount</b>											
<b>At 1 April 2023</b>	<b>1,787,442</b>	<b>246,111</b>	<b>13,210</b>	<b>10,196</b>	<b>755</b>	<b>65,980</b>	<b>3,525</b>	<b>2,127,219</b>	<b>447,864</b>	<b>7,474</b>	<b>2,582,557</b>
<b>At 31 March 2024</b>	<b>1,743,751</b>	<b>299,859</b>	<b>12,921</b>	<b>10,065</b>	<b>657</b>	<b>64,649</b>	<b>5,695</b>	<b>2,137,597</b>	<b>402,189</b>	<b>7,530</b>	<b>2,547,316</b>

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

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

## Comparative figures for the year ended 31 March 2023

	Forest estate £'000	Other land £'000	Buildings £'000	Plant and machinery £'000	Information technology £'000	Operational structures £'000	Assets under construction £'000	Total Property, Plant & Equipment £'000	Biological assets £'000	Heritage assets £'000	Total Tangible Assets £'000
<b>Table section: Cost or Valuation</b>											
<b>At 1 April 2022</b>	1,723,640	204,473	14,570	26,231	13,709	87,592	3,335	<b>2,073,550</b>	457,790	7,403	<b>2,538,743</b>
Transferred to right of use asset at 1 April 2022	(48,317)	(4,093)	-	-	-	-	-	<b>(52,410)</b>	-	-	<b>(52,410)</b>
Additions	1,858	201	-	1,657	-	167	2,414	<b>6,297</b>	-	71	<b>6,368</b>
Assets commissioned in year	395	324	-	1,142	-	348	(2,209)	-	-	-	-
Disposals, derecognition and write-offs	-	(209)	(788)	(2,117)	(7)	(157)	(16)	<b>(3,294)</b>	-	-	<b>(3,294)</b>
Movement from/(to) held for sale	(9)	217	254	79	-	-	-	<b>541</b>	-	-	<b>541</b>
Fellings	(19,218)	-	-	-	-	-	-	<b>(19,218)</b>	(7,290)	-	<b>(26,508)</b>
Indexation and revaluation	129,093	45,065	463	-	-	6,606	1	<b>181,228</b>	(2,636)	-	<b>178,592</b>
Reclassification	-	133	(133)	-	-	-	-	-	-	-	-
<b>At 31 March 2023</b>	<b>1,787,442</b>	<b>246,111</b>	<b>14,366</b>	<b>26,992</b>	<b>13,702</b>	<b>94,556</b>	<b>3,525</b>	<b>2,186,694</b>	<b>447,864</b>	<b>7,474</b>	<b>2,642,032</b>
<b>Table section: Depreciation</b>											
<b>At 1 April 2022</b>	-	-	105	16,748	12,805	23,536	-	<b>53,194</b>	-	-	<b>53,194</b>
Transferred to right of use asset at 1 April 2022	-	-	-	-	-	-	-	-	-	-	-
Charged in year	-	-	944	1,690	149	3,403	-	<b>6,186</b>	-	-	<b>6,186</b>

	Forest estate £'000	Other land £'000	Buildings £'000	Plant and machinery £'000	Information technology £'000	Operational structures £'000	Assets under construction £'000	Total Property, Plant & Equipment £'000	Biological assets £'000	Heritage assets £'000	Total Tangible Assets £'000
Disposals, derecognition and write-offs	-	-	(5)	(1,685)	(7)	(31)	-	(1,728)	-	-	(1,728)
Movement from/(to) held for sale	-	-	108	43	-	-	-	151	-	-	151
Indexation and revaluation	-	(2)	6	-	-	1,668	-	1,672	-	-	1,672
Reclassification	-	2	(2)	-	-	-	-	-	-	-	-
<b>At 31 March 2023</b>	-	-	1,156	16,796	12,947	28,576	-	<b>59,475</b>	-	-	<b>59,475</b>
<b>Table section: Carrying amount</b>											
<b>At 1 April 2022</b>	<b>1,723,640</b>	<b>204,473</b>	<b>14,465</b>	<b>9,483</b>	<b>904</b>	<b>64,056</b>	<b>3,335</b>	<b>2,020,356</b>	<b>457,790</b>	<b>7,403</b>	<b>2,485,549</b>
<b>At 31 March 2023</b>	<b>1,787,442</b>	<b>246,111</b>	<b>13,210</b>	<b>10,196</b>	<b>755</b>	<b>65,980</b>	<b>3,525</b>	<b>2,127,219</b>	<b>447,864</b>	<b>7,474</b>	<b>2,582,557</b>

## Asset Financing

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

Buildings include dwellings with a carrying amount of £344k. The other buildings are offices and workbases.

The amount held in the Revaluation Reserve for tangible assets at 31 March 2023 was £2,028,174k.



## 7.1.1 Forest estate including biological assets

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

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

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

### **Estimation techniques, assumptions and judgements**

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

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

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

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

## 7.1.2 Windfarms

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

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

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

The individual values for the windfarms are shown below.

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

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

### 7.1.3 Heritage assets

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

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

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

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

<b>Table section: Heritage Assets 4 year movements</b>				
	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Opening balance	7,099	7,403	7,403	7,474
Additions	304	-	71	-
Reclassifications	-	-	-	56
<b>Closing balance</b>	<b>7,403</b>	<b>7,403</b>	<b>7,474</b>	<b>7,530</b>

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

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

## 7.2 Intangible non-current assets

	Software Licences £'000	Other Licences £'000	Software Development Expenditure £'000	Website £'000	Assets under construction £'000	Total Intangible Assets £'000
<b>Table section: Cost or valuation</b>						
<b>At 1 April 2023</b>	5,803	2,356	38,280	486	10,480	<b>57,405</b>
Additions	-	-	180	-	7,530	<b>7,710</b>
Assets commissioned in year	(1,543)	-	8,074	-	(6,899)	<b>(368)</b>
Disposals, derecognition and write-offs	(237)	-	-	-	(28)	<b>(265)</b>
Indexation and revaluation	-	-	-	-	-	-
Reclassification	-	(74)	-	411	(42)	<b>295</b>
<b>At 31 March 2024</b>	<b>4,023</b>	<b>2,282</b>	<b>46,534</b>	<b>897</b>	<b>11,041</b>	<b>64,777</b>
<b>Table section: Amortisation</b>						
<b>At 1 April 2023</b>	4,494	72	20,706	486	-	<b>25,758</b>
Charged in year	194	13	5,041	160	-	<b>5,408</b>
Disposals, derecognition and write-offs	(237)	-	-	-	-	<b>(237)</b>

	<b>Software Licences</b>	<b>Other Licences</b>	<b>Software Development Expenditure</b>	<b>Website</b>	<b>Assets under construction</b>	<b>Total Intangible Assets</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Indexation and revaluation	-	-	-	-	-	-
Reclassification	(897)	-	897	-	-	-
<b>At 31 March 2024</b>	<b>3,554</b>	<b>85</b>	<b>26,644</b>	<b>646</b>	<b>-</b>	<b>30,929</b>
<b>Table section: Carrying Amount</b>						
<b>At 1 April 2023</b>	<b>1,309</b>	<b>2,284</b>	<b>17,574</b>	<b>-</b>	<b>10,480</b>	<b>31,647</b>
<b>At 31 March 2024</b>	<b>469</b>	<b>2,197</b>	<b>19,890</b>	<b>251</b>	<b>11,041</b>	<b>33,848</b>

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

## Comparative figures for the year ended 31 March 2023

	Software Licences £'000	Other Licences £'000	Software Development Expenditure £'000	Website £'000	Assets under construction £'000	Total Intangible Assets £'000
<b>Table section: Cost or valuation</b>						
<b>At 1 April 2022</b>	5,722	2,356	32,971	486	8,792	<b>50,327</b>
Additions	-	-	374	-	6,746	<b>7,120</b>
Assets commissioned in year	81	-	4,977	-	(5,058)	-
Disposals, derecognition and write-offs	-	-	(42)	-	-	<b>(42)</b>
Indexation and revaluation	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-
<b>At 31 March 2023</b>	<b>5,803</b>	<b>2,356</b>	<b>38,280</b>	<b>486</b>	<b>10,480</b>	<b>57,405</b>
<b>Table section: Amortisation</b>						
<b>At 1 April 2022</b>	3,964	60	16,215	486	-	<b>20,725</b>
Charged in year	530	12	4,532	-	-	<b>5,074</b>
Disposals, derecognition and write-offs	-	-	(41)	-	-	<b>(41)</b>

	<b>Software Licences £'000</b>	<b>Other Licences £'000</b>	<b>Software Development Expenditure £'000</b>	<b>Website £'000</b>	<b>Assets under construction £'000</b>	<b>Total Intangible Assets £'000</b>
Indexation and revaluation	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-
<b>At 31 March 2023</b>	<b>4,494</b>	<b>72</b>	<b>20,706</b>	<b>486</b>	<b>-</b>	<b>25,758</b>
<b>Table section: Carrying Amount</b>						
<b>At 1 April 2022</b>	<b>1,758</b>	<b>2,296</b>	<b>16,756</b>	<b>-</b>	<b>8,792</b>	<b>29,602</b>
<b>At 31 March 2023</b>	<b>1,309</b>	<b>2,284</b>	<b>17,574</b>	<b>-</b>	<b>10,480</b>	<b>31,647</b>

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

## 8. Leases

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

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

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

### Implementation and Assumptions

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

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

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

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

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

### Policy applicable from 1 April 2022

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

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

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



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

## **As a Lessee**

### **Right of use assets**

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

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

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

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

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

### **Lease liabilities**

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

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

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

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

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

Lease liabilities are presented in note 8.2.

## **As a lessor**

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

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

### **Impact on financial statements**

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

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

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

## 8.1 Right of use assets

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

	Forest estate land £'000	Other land £'000	Buildings £'000	Plant and machinery £'000	Heritage assets £'000	Total Right of Use assets £'000
<b>At 31 March 2024</b>	<b>71,867</b>	<b>308</b>	<b>8,449</b>	<b>2,093</b>	<b>1,157</b>	<b>83,874</b>

### Comparative figures for the year ended 31 March 2023

	Forest estate land £'000	Other land £'000	Buildings £'000	Plant and machinery £'000	Heritage assets £'000	Total Right of Use assets £'000
<b>Table section; Cost or Valuation</b>						
<b>At 1 April 2022</b>	-	-	-	-	-	-
Transferred from non-current assets at 1 April 2022	52,410	-	-	-	-	<b>52,410</b>
Transitioned at 1 April 2022	-	579	8,080	2,856	1,278	<b>12,793</b>
Additions	-	-	133	548	-	<b>681</b>
Disposals, derecognition and write-offs	(71)	-	-	(18)	-	<b>(89)</b>
Indexation and revaluation	7,468	(195)	(635)	-	-	<b>6,638</b>
<b>At 31 March 2023</b>	<b>59,807</b>	<b>384</b>	<b>7,578</b>	<b>3,386</b>	<b>1,278</b>	<b>72,433</b>
<b>Table section: Depreciation</b>						
<b>At 1 April 2022</b>	-	-	-	-	-	-
Transferred from non-current assets at 1 April 2022	-	-	-	-	-	-

	Forest estate land £'000	Other land £'000	Buildings £'000	Plant and machinery £'000	Heritage assets £'000	Total Right of Use assets £'000
Transitioned at 1 April 2022	-	-	-	-	-	-
Charged in year	4	57	1,530	972	58	<b>2,621</b>
Disposals, derecognition and write-offs	-	-	-	(3)	-	<b>(3)</b>
Indexation and revaluation	-	-	-	-	-	-
<b>At 31 March 2023</b>	<b>4</b>	<b>57</b>	<b>1,530</b>	<b>969</b>	<b>58</b>	<b>2,618</b>
<b>Table section: Carrying Amount</b>						
<b>At 1 April 2022</b>	-	-	-	-	-	-
<b>At 31 March 2023</b>	<b>59,803</b>	<b>327</b>	<b>6,048</b>	<b>2,417</b>	<b>1,220</b>	<b>69,815</b>

## 8.2 Lease Liabilities

	31 March 2024 £'000	31 March 2023 £'000
<b>Table section: Due within 1 year</b>		
Lease liabilities (current)	2,339	2,367
<b>Total</b>	<b>2,339</b>	<b>2,367</b>
<b>Table Section: Due after 1 year</b>		
Lease liabilities (non current)	8,221	8,276
<b>Total lease liabilities</b>	<b>10,560</b>	<b>10,643</b>

	31 March 2024 £'000	31 March 2023 £'000
<b>Table Section: Maturity analysis of leases held under IFRS 16</b>		
Due within 1 year	2,339	2,367
Due in 2-5 years	3,949	4,240
Due in more than 5 years	4,272	4,036
<b>Total lease liabilities</b>	<b>10,560</b>	<b>10,643</b>

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

## Other operating leases

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

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

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

## 9. Financial liabilities and instruments

### 9.1 Financial liability

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

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

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

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

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

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

## 9.2 Financial instruments

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

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

## 10. Financial Assets

	<b>31 March 2024</b>	<b>31 March 2023</b>
	<b>£'000</b>	<b>£'000</b>
<b>Table section: Non-current</b>		
Lake Vyrnwy forest	15,009	16,358
<b>Total</b>	<b>15,009</b>	<b>16,358</b>

### Lake Vyrnwy forest

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



## 11. Trade and other receivables

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

## 12. Payments on account

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

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

## 13. Cash and cash equivalents

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

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

## 14. Trade and other payables

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

As at 31 March 2024, the table above includes amounts repayable to WG. £19m was received to make a payment on account to HMRC (see also note 12 and 21) and the terms of repayment to

WG are to be agreed. Included within other payables are amounts related to overclaimed funding and working capital cash to be repaid to WG during the next financial year.

## 15. Provisions

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

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

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

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

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

# 16. Pension Obligations

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

## 16.1 Civil Service Pension Scheme

CSPS is open to new employees.

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

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

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

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

a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

Further details about the Civil Service pension arrangements can be found at the website. [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

## 16.2 Local Government Pension Scheme (LGPS)

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

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

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

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

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

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

A number of assumptions are made as part of the actuarial valuation process. The prudent actuarial assumptions used do not represent a view on what future pay movements may be. It was

assumed at the 2022 actuarial valuation that present and future pensions in payment will increase at the rate of 3.0% per annum. The estimated contribution payable by NRW, excluding any discretionary lump sum payments, for the year to 31 March 2025 will be approximately £0 as it has paid all of its normal employer contributions in March 2024.

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

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

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

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

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

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

## 16.2.1 Financial and longevity assumptions

<b>Period Ended</b>	<b>31 Mar 2024</b> <b>% p.a.</b>	<b>31 Mar 2023</b> <b>% p.a.</b>
<b>Pension Increase Rate</b>	2.75%	2.95%
<b>Salary Increase Rate</b>	3.25%	3.45%
<b>Discount Rate</b>	4.85%	4.75%

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

	<b>Males</b>	<b>Females</b>
<b>Current Pensioners</b>	21.0 years	23.6 years
<b>Future Pensioners*</b>	22.2 years	25.5 years

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

### 16.2.2. Sensitivity analysis

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

### 16.2.3. Duration of defined benefit obligation

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



## 16.2.4. Fair Value of Assets

### Fair Value of Assets for the year ended 31 March 2024

Asset Category	Quoted (£000)	Unquoted (£000)	Undetermined (£000)	Total (£000)	% (£000)
<b>Table section: Equity Securities</b>					
Common Stock	60,049	-	-	60,049	13%
Preferred Stock	-	-	-	-	0%
Rights/Warrants	-	-	-	-	0%
Other Equity Assets	264	-	-	264	0%
<b>Table section: Debt Securities</b>					
UK Government Bonds	-	-	-	-	0%
Corporate Bonds	-	-	-	-	0%
Other	-	-	-	-	0%
<b>Table section: Pooled Investment Vehicles</b>					
Equities	-	135,494	-	135,494	29%

<b>Asset Category</b>	<b>Quoted (£000)</b>	<b>Unquoted (£000)</b>	<b>Undetermined (£000)</b>	<b>Total (£000)</b>	<b>% (£000)</b>
Bonds	-	170,523	-	170,523	37%
Funds - Common Stock	-	-	-	-	0%
Funds - Real Estate	-	4,215	-	4,215	1%
Funds - Venture Capital	-	68	-	68	0%
<b>Table section: Venture Capital and Partnerships:</b>					
Partnerships & Real Estate	-	73,782	-	73,782	16%
<b>Table section: Other Investment:</b>					
Stapled Securities	-	-	-	-	0%
<b>Table section: Derivative Contracts:</b>					
Equity Derivatives - Futures	-	-	-	-	0%
Forward FX Contracts	-	(316)	-	(316)	0%
<b>Table section: Cash and Cash equivalents</b>					
All	-	-	21,015	21,015	5%
<b>Totals</b>	<b>60,313</b>	<b>383,766</b>	<b>21,015</b>	<b>465,094</b>	<b>100%</b>

## Fair Value of Assets for the year ended 31 March 2023

Asset Category	Quoted (£000)	Unquoted (£000)	Undetermined (£000)	Total (£000)	% (£000)
<b>Table section: Equity Securities:</b>					
Common Stock	52,330	-	-	52,330	12%
Preferred Stock	-	-	-	-	0%
Rights/Warrants	-	-	-	-	0%
Other Equity Assets	359	-	-	359	0%
<b>Table section: Debt Securities</b>					
UK Government Bonds	-	-	-	-	0%
Corporate Bonds	-	-	-	-	0%
Other	-	-	-	-	0%
<b>Table section: Pooled Investment Vehicles</b>					
Equities	-	117,549	-	117,549	27%
Bonds	-	166,584	-	166,584	39%
Funds - Common Stock	-	-	-	-	0%

<b>Asset Category</b>	<b>Quoted (£000)</b>	<b>Unquoted (£000)</b>	<b>Undetermined (£000)</b>	<b>Total (£000)</b>	<b>% (£000)</b>
Funds - Real Estate	-	-	-	-	0%
Funds - Venture Capital	-	-	-	-	0%
<b>Table section: Venture Capital and Partnerships:</b>					
Partnerships & Real Estate	-	80,790	-	80,790	19%
<b>Table section: Other Investment:</b>					
Stapled Securities	-	-	-	-	0%
<b>Table section: Derivative Contracts:</b>					
Equity Derivatives - Futures	44	-	-	44	0%
Forward FX Contracts	-	1,087	-	1,087	0%
<b>Table section: Cash and Cash equivalents</b>					
All	-	-	14,550	14,550	3%
<b>Totals</b>	<b>52,733</b>	<b>366,010</b>	<b>14,550</b>	<b>433,293</b>	<b>100%</b>

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

<b>Year ended 31 March 2024</b>	<b>Assets £(000s)</b>	<b>Obligations £(000s)</b>	<b>Net (liability)/ asset £(000s)</b>
Fair value of employer assets	433,293	-	433,293
Present value of funded liabilities	-	352,444	(352,444)
Present value of unfunded liabilities	-	-	-
Asset ceiling applied	(15,504)	-	(15,504)
<b>Opening Position as at 31 March 2023</b>	<b>417,789</b>	<b>352,444</b>	<b>65,345</b>
<b>Table section: Service cost</b>			
Current service cost*	-	6,988	(6,988)
Past service cost (including curtailments)	-	-	-
Effect of settlements	-	-	-
<b>Total service cost</b>	<b>-</b>	<b>6,988</b>	<b>(6,988)</b>
<b>Table section: Net interest</b>			
Interest income on plan assets	20,374	-	20,374

<b>Year ended 31 March 2024</b>	<b>Assets £(000s)</b>	<b>Obligations £(000s)</b>	<b>Net (liability)/ asset £(000s)</b>
Interest cost on defined benefit obligation	-	16,697	(16,697)
Impact of asset ceiling on net interest	-	-	-
<b>Total net interest</b>	<b>20,374</b>	<b>16,697</b>	<b>3,677</b>
<b>Total defined benefit cost recognised in Profit or (Loss)</b>	<b>20,374</b>	<b>23,685</b>	<b>(3,311)</b>
<b>Table section: Cashflows</b>			
Plan participants' contributions	2,281	2,281	-
Employer contributions	6,899	-	6,899
Contributions in respect of unfunded benefits	-	-	-
Benefits paid	(11,138)	(11,138)	-
Unfunded benefits paid	-	-	-
Effect of business combinations and disposals	-	-	-
<b>Expected closing position</b>	<b>436,205</b>	<b>367,272</b>	<b>68,933</b>

<b>Year ended 31 March 2024</b>	<b>Assets £(000s)</b>	<b>Obligations £(000s)</b>	<b>Net (liability)/ asset £(000s)</b>
<b>Table section: Remeasurements</b>			
Change in financial assumptions	-	(22,925)	22,925
Change in demographic assumptions	-	(2,307)	2,307
Other experience	-	9,876	(9,876)
Return on assets excluding amounts included in net interest	13,386	-	13,386
Changes in asset ceiling	(39,764)	-	(39,764)
<b>Total remeasurements recognised in Other Comprehensive Income (OCI)</b>	<b>(26,378)</b>	<b>(15,356)</b>	<b>(11,022)</b>
Exchange differences	-	-	-
Fair value of employer assets	409,827	-	409,827
Present value of funded liabilities	-	351,916	(351,916)
Present value of unfunded liabilities	-	-	-

<b>Year ended 31 March 2024</b>	<b>Assets £(000s)</b>	<b>Obligations £(000s)</b>	<b>Net (liability)/ asset £(000s)</b>
<b>Closing position as at 31 March 2024</b>	<b>409,827</b>	<b>351,916</b>	<b>57,911</b>

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

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

<b>Year ended 31 March 2023</b>	<b>Assets £(000s)</b>	<b>Obligations £(000s)</b>	<b>Net (liability)/ asset £(000s)</b>
Fair value of employer assets	463,434	-	463,434
Present value of funded liabilities	-	517,808	(517,808)
Present value of unfunded liabilities	-	-	-
<b>Opening Position as at 31 March 2022</b>	<b>463,434</b>	<b>517,808</b>	<b>(54,374)</b>
<b>Table section: Service cost</b>			
Current service cost*	-	14,855	(14,855)
Past service cost (including curtailments)	-	-	-



<b>Year ended 31 March 2023</b>	<b>Assets £(000s)</b>	<b>Obligations £(000s)</b>	<b>Net (liability)/ asset £(000s)</b>
Effect of settlements	-	-	-
<b>Total service cost</b>	-	<b>14,855</b>	<b>(14,855)</b>
<b>Table section: Net interest</b>			
Interest income on plan assets	12,416	-	12,416
Interest cost on defined benefit obligation	-	14,083	(14,083)
Impact of asset ceiling on net interest	-	-	-
<b>Total net interest</b>	<b>12,416</b>	<b>14,083</b>	<b>(1,667)</b>
<b>Total defined benefit cost recognised in Profit or (Loss)</b>	<b>12,416</b>	<b>28,938</b>	<b>(16,522)</b>
<b>Table section: Cashflows</b>			
Plan participants' contributions	2,197	2,197	-
Employer contributions	6,816	-	6,816
Contributions in respect of unfunded benefits	-	-	-

<b>Year ended 31 March 2023</b>	<b>Assets £(000s)</b>	<b>Obligations £(000s)</b>	<b>Net (liability)/ asset £(000s)</b>
Benefits paid	(8,722)	(8,722)	-
Unfunded benefits paid	-	-	-
Effect of business combinations and disposals	-	-	-
<b>Expected closing position</b>	<b>476,141</b>	<b>540,221</b>	<b>(64,080)</b>
<b>Table section: Remeasurements</b>			
Change in financial assumptions	-	(223,729)	223,729
Change in demographic assumptions	-	972	(972)
Other experience	(5,230)	34,980	(40,210)
Return on assets excluding amounts included in net interest	(37,618)	-	(37,618)
Changes in asset ceiling	(15,504)	-	(15,504)
<b>Total remeasurements recognised in Other Comprehensive Income (OCI)</b>	<b>(58,352)</b>	<b>(187,777)</b>	<b>129,425</b>
Exchange differences	-	-	-

<b>Year ended 31 March 2023</b>	<b>Assets £(000s)</b>	<b>Obligations £(000s)</b>	<b>Net (liability)/ asset £(000s)</b>
Fair value of employer assets	417,789	-	417,789
Present value of funded liabilities	-	352,444	(352,444)
Present value of unfunded liabilities	-	-	-
<b>Closing position as at 31 March 2023</b>	<b>417,789</b>	<b>352,444</b>	<b>65,345</b>

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

## 17. Capital commitments

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

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

## 18. Commitments under leases

### Implementation of IFRS16

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

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

## 19. Other Financial Commitments

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

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

## 20. Lease receivables

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

	<b>31 March 2024</b>	<b>31 March 2023</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	21,708	18,798

Later than one year and not later than five years	84,727	73,030
Later than five years	296,895	262,104
<b>Total</b>	<b>403,330</b>	<b>353,932</b>

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

## 21. Contingent liabilities

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

NRW has the following contingent liabilities:

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

### Timber sales claims

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

### Flood and storm damage claims

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

### Public and employee liability

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

### Unquantified contingent liabilities

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

## **Flood and storm damage claims**

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

## **Other damages claims**

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

## **Structural work at a leased office**

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

## **Financial loss claims**

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

## **Personal Injury**

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

## **HM Revenue and Customs (HMRC) Review**

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

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

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

## **Japanese Knotweed**

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

## **Emerging case law relating to pension schemes**

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

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

## **22. Events after the end of the reporting period**

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

## **23. Date of authorisation for issue**

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



## 24. Related parties

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

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

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

<b>Organisation</b>	<b>Member</b>	<b>Nature of relationship</b>	<b>Total expenditure £'000</b>	<b>Total income £'000</b>	<b>Amount owed by NRW at 31 March 2024 £'000</b>	<b>Amount owed to NRW at 31 March 2024 £'000</b>
<b>Cartrefi Conwy</b>	Helen Pittaway	Non Executive Director	0	1	0	1
<b>Cwm Taf Morgannwg University Health Board</b>	Kathleen Palmer	Vice Chair	0	5	0	1
<b>Cwmni Pum Plwy Penllyn Cyf</b>	Geraint Davies	Director	1	0	0	0
<b>Down to Earth Project</b>	Mark McKenna & Spouse	Directors	5	0	0	0
<b>JNCC</b>	Rhys Jones Steve Ormerod	Committee Members	89	9	0	0
<b>Keep Wales Tidy</b>	Ceri Davies	Trustee	1	1	0	0
<b>National Botanic Garden of Wales</b>	Sarah Jennings	Trustee	4	1	0	0
<b>Pembrokeshire Coast National Park Authority</b>	Rosie Plummer	Board Member	317	1	67	0
<b>Plantlife International</b>	Rosie Plummer	Trustee	64	23	27	23

<b>Organisation</b>	<b>Member</b>	<b>Nature of relationship</b>	<b>Total expenditure £'000</b>	<b>Total income £'000</b>	<b>Amount owed by NRW at 31 March 2024 £'000</b>	<b>Amount owed to NRW at 31 March 2024 £'000</b>
<b>RSPB</b>	Steve Ormerod	Vice President	953	2	765	15
<b>Welsh Government</b>	Calvin Jones	Employee (on secondment)	12,805	178,588	24,273	16,400