

Llyr Huws Gruffydd MS  
Chair, Climate Change, Environment and Infrastructure Committee  
Y Senedd  
Cardiff Bay  
Cardiff  
CF99 1SN

By email only: [seneddclimate@senedd.wales](mailto:seneddclimate@senedd.wales)

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Annwyl Llyr,

On behalf of Natural Resources Wales (NRW) we'd like to thank the Committee for its Annual Scrutiny Report and for its constructive recommendations. We greatly value the Committee's role in holding NRW to account and supporting us to deliver effectively for the people of Wales.

We very much appreciated the opportunity to present oral evidence as part of the scrutiny process. The engagement of the Members helped ensure a productive and transparent dialogue, and we welcome the Committee's continued interest in our work.

The recommendations in the report are an important contribution to our ongoing work to deliver on the priorities set out in our Corporate Plan - to support nature's recovery, tackle climate change and minimise pollution. We are already taking steps to address a number of the points raised and we will continue to build on this as we improve the effectiveness, impact and transparency of our work.

Please find enclosed NRW's full response to the recommendations. Should you require any further information or clarification we would be pleased to provide it.

Yn gywir,

Ceri Davies

Sir David Henshaw

**Prif Weithredwr Dros-Dro  
Interim Chief Executive Officer**

**Cadeirydd, Cyfoeth Naturiol Cymru  
Chair, Natural Resources Wales**

# Response to Natural Resources Wales (NRW) Annual Scrutiny 2024-25

## Recommendation 1

NRW must move swiftly to recruit a permanent Chief Executive Officer within the next six months and ensure that plans are in place for an orderly succession to a new Chairperson in October 2025.

NRW awaits confirmation from the Deputy First Minister of the appointment of the new Chair for NRW. We are in the process of preparing a comprehensive induction programme for the incoming Chair. This will be based on the induction process that we have recently developed and that was used to induct the three new Board Members that joined the NRW Board in May this year.

The new induction programme will include meeting Board Members, the Chief Executive and members of her Executive Team, and a range of staff across the breadth of the organisation's functions and place-focused operations.

In addition, it will include opportunities to meet with stakeholders from across Wales and across the range of NRW's activities. We will also ensure that it provides an introduction to working within Wales and the Welsh language and culture.

The feedback gained from these opportunities will help inform the new Chair's views on the essential qualities required of the new CEO.

In the meantime, the existing Chair and the interim CEO have already started to put in place arrangements for the appointments process, including appointing senior leadership recruitment specialists and a draft recruitment pack so that the new Chair and their Board can discuss and agree upon the role description for this crucial appointment.

## Recommendation 2

NRW must urgently provide a credible plan to reopen all three visitor centres. This must include clarity about its vision for the future of the visitor centres, the service levels it wishes to see and a financially viable strategy and timetable to achieve this. This should be provided to the Committee within three months.

We are rapidly progressing the timetable and plans for utilising our Visitor Centre sites. At Ynyslas, a community management agreement is currently being finalised between NRW and Borth Community Hub to use the space available to continue their community outreach programmes. We expect this to be fully operational by mid-July. This agreement is the outcome of an Expression of Interest exercise that was undertaken to find suitable partners to utilise the building.

For Bwlch Nant Yr Arian and Coed Y Brenin, opportunities will be put to market for potential operators via Sell2Wales in early November 2025. Given the amount of interest generated by the informal expression of interest at the start of 2025 and the variety of potential bidders and possibilities for enhancement and opportunity presented, we will be using a Competitive Dialogue approach to these sites. This will ensure the greatest possible value is achieved as well as long-term viability and the promotion of local economy benefits plus the reduction of liabilities. The market exercise will be strongly weighted in favour of local and community ventures who can provide a feasible business case for either site. The plan is to have a preferred bidder at the start of the financial year 2026-27. The speed of reopening will depend partly on the winning bidder and any additional investment they may wish to make on site, but we are expecting them to be operational in some capacity by the summer of 2026.

### **Recommendation 3**

**In relation to the Dyfi National Nature Reserve, NRW must set out its proposed management of the nature reserve to reassure the Committee, and the wider public, that this will be adequate, at a minimum, to meet its statutory obligations.**

The Dyfi National Nature Reserve has a long standing and approved Management Plan that sets out a range of work areas across both the area of dunes and Cors Fochno bog. From this, we develop a programme of conservation work, supported by dedicated resourcing and annual funding.

In addition, funding is available for essential liability-related or infrastructure work. Work including grazing management, scrub control and inspection and maintenance of infrastructure will continue despite the recent changes at our visitor centre at Ynyslas.

NRW staff and contractors are in place to carry out a range of duties including liability inspections, beach patrols, litter picking, and wider conservation tasks. Where needed, we will adapt our annual programme for this and other sites to respond to emerging issues and reactive work pressures.

### **Recommendation 4**

**NRW should ensure that it monitors and evaluates the adequacy and use of funding for flood management. It should report back to the Committee within six months to ensure that this informs next year's Welsh Government budget decisions.**

We note the Committee's interest regarding the oversight of flood risk management funding. We will continue to work very closely with the Welsh Government Flood Branch to provide reassurance on the use of flood funding, utilising the close working relationship already in place between our teams and through our role on the flood and coastal risk management board. We meet monthly with the officers within Flood Branch, providing written updates on

our capital investment programme and attend quarterly Programme Board meetings where we provide updates.

As we did last Autumn, we will submit our investment plans each year for scrutiny and assurance, through a Programme Outline Business Case. This process allows us to set out requirements, options and risks, whilst also justifying the investment being put into our programme through an established “five case” business model approach. We hope this will also support and influence the budget allocations process.

In addition to the routine reporting throughout the financial year, we also provide Welsh Government with an end of year Flood Risk Management (FRM) Annual Report. This provides good coverage of case studies and activities that have been delivered utilising our investment into FRM, but it also provides a detailed breakdown as to which specific activities funding has been utilised on. The 2024/25 report is being finalised but previous years reports are available on the NRW website - [Natural Resources Wales / Flood risk management annual report 2023 to 2024](#).

In regard to the adequacy of funding available to deliver FRM activities, as the scrutiny report has identified there are a range of overarching financial pressures that constrain our ability to deliver FRM work. We deliver these activities, as steered by Welsh Government’s National FCERM Strategy, through a risk-based approach, therefore prioritising our efforts towards those at greatest risk of flooding. This does mean however that we aren’t able to deliver as much as we’d like to across all areas of Wales and does mean that some activities are prioritised over others. As has been recognised by the report we have highlighted these issues previously through the likes of the February 2020 Floods Review and the more recent Long Term Investment Requirements Report.

The impacts of the Climate Emergency will only increase the resources needed to effectively manage flood risk in Wales, but it is critical we also consider the resources and skills required to deliver the vital adaptation and resilience actions required to support Wales moving forward.

NRW wants to work in real partnership with a range of organisations including Local Authorities, Water Companies and Welsh Government departments as well as communities themselves to deliver sustainable solutions to manage flood risk. It is vital that we plan for and invest in range of tools and techniques, as we and society respond to the rapidly changing climate and the impacts it will bring.

This needs to be considered in addition to being able to deliver our core services, such as development advice, flood warnings and flood defence maintenance. We will also therefore continue to develop evidence regarding our current and long-term investment needs, and we will discuss these with Welsh Government on an ongoing basis.

## Recommendation 5

NRW should continue to monitor closely its performance on preventing and responding to environmental pollution incidents to ensure that its change of emphasis does not result in more pollution incidents or a failure to respond.

Evidence shows that around 95% of the incidents we respond to result in little or no environmental impact. However, they still consume a significant proportion of our time and resources. This limits our ability to carry out compliance and prevention work that could stop pollution before it occurs.

NRW will therefore continue to prioritise incidents that significantly impact the environment. However, we are now asking officers to adopt a more proportionate, risk-based approach, focusing our effort where our involvement will deliver the greatest benefit. For some low-level, low-impact incidents, this may mean they do not receive an immediate response or direct intervention. In these cases, we may instead choose to address the underlying issues through routine regulatory activity, enforcement, or pollution prevention work by seeking to address root causes of pollution rather than symptoms.

This shift in approach to pollution incident response will be made live in July 2025. From that point, we will begin capturing data to assess how the new model is working and whether we need to make any further changes to ensure we are reducing the time we spend on low impact work. We will also start to capture examples of where we are shifting resources to work that will make a real difference in minimising pollution.

We are working with colleagues across the organisation to strengthen our evidence led approaches to managing different incident types, and we are producing guidance to support our officers to make decisions on how to respond in the most impactful and risk-based way.

## Recommendation 6

NRW should set out for the Committee where it feels the level of sanctions and fines is too low for it to be able to perform its environmental regulation duties effectively.

Court fines for environmental crimes in Wales vary significantly. Since 2021, NRW cases have resulted in the courts awarding fines totalling more than £1.8 million. Of this, the average fine imposed for summary only offences, excluding Rod and Line cases, is £1,139. This is 22% of the maximum £5,000 fine that could be awarded for such cases.

Non-summary offences have more guidance around the fine level and are arguably less problematic. Different maximum fines are available depending on the route via which the offender was indicted. Crown or magistrates court determines the appropriate level of fine which, following Sentencing Guidelines, must reflect the seriousness of the offence and take into account the financial circumstances of the offender.

NRW would welcome more consistent and stringent fines to better reflect the gravity of the offences within the fine ranges already available within legislation to act as an effective

deterrent to environmental offences. It should also be noted that the actual penalties imposed sometimes do not reflect the cost of remediating environment damage or the financial benefits obtained from illegal activities. It is also important to note that court fines are paid to His Majesty's Treasury and, therefore, NRW is unable to use this money to support future enforcement activities or fund restorative work that protects the environment in Wales.

Our use of Fixed Penalty Notices (FPN) has been very limited – we have issued only 10 notices since 2016. Our operational teams report that their use is low due to low fine value (usually £300) and the high administrative costs for their use. The low fine value means they are only appropriate for the most minor of offences. With limited resources, a cost-benefit analysis favours using available resource to enforce against more serious offences. Increasing the maximum FPN would improve the cost-benefit balance and should increase the use of FPNs.

In recognition of this, NRW supports the introduction of progressive civil penalties powers as an alternative to criminal prosecution, where appropriate. An enhanced civil sanctions approach, with a proportionate burden of proof, would offer more flexibility with scope for higher penalties that better reflect the environmental damage caused by an offence. This would support clear, timely and proportionate enforcement, which will help strike a better balance between deterrence and restitution.

We have raised repeatedly that some of the key regulations that we deploy in our enforcement approach (e.g. Environmental Permitting Regulations (England & Wales) 2016 and the Water Resources Control of Agricultural Pollution Regulations (Wales) 2021) cannot presently be enforced via civil sanctions – this is at odds with the equivalent regulations in England.

We are also supportive of the implementation of the Water Special Measures Act in Wales which will see civil sanctions for some offences (relating only to the water industry) redefined using a civil (balance of probabilities) approach to burden of proof.

## Recommendation 7

**NRW should continue to press for a multi-year funding regime to help it manage its budgets for the long term.**

NRW has developed a Corporate Plan that spans from 2023 to 2030, and our remit letter from Welsh Government is for the whole of the current term of government. The vast majority of our work is multi-year in nature. This means balancing our wide range of duties and responsibilities within the constraints of the public sector's finances is often challenging.

NRW's Board is firmly committed to reimagining how we deliver our remit. Our focus is on ensuring we take the most effective actions to achieve meaningful outcomes at pace. Within this context, we believe that having clarity and certainty of funding on a multi-year basis would enable NRW to better forward plan and deliver our Corporate Plan.

## Recommendation 8

Following the conclusions of the negotiations with HMRC, NRW should provide a full update on the outcome as soon as possible, together with a full explanation of how this money will be paid back through efficiency savings and without impacting on frontline services.

An update will be provided on the conclusion of the HMRC Enquiry. This will include details of the agreement reached with Welsh Government for the return of the £19m advanced. As the final total is likely to be less than the sum paid on account, HMRC will reimburse the difference to NRW and we will return that amount to Welsh Government immediately. Initial adjustments to our 2024/2025 and 2025/2026 budgets have already been made to collect the first two instalments. Further budget adjustments will be made over the coming years to recoup the remainder from NRW.

NRW is currently engaged in various reviews to ensure efficiency and cost effectiveness in our operations without impacting on frontline services. These include an Enabling Services Review, NRW2030 (looking at our accommodation strategy, IT and digital services) and an exploration of a range of ways of resourcing capacity for NRW to deliver on its commitments, (referred to as the Mixed Economy Model). It is anticipated that these will identify efficiencies (including cost) which will help NRW achieve balanced budgets for which we factored the repayment into. The repayment is equivalent to just less than 0.5% of our overall budget. More importantly, the level of Grant in Aid funding and NRW realising efficiency savings from investment in technology, is crucial to protecting our front-line services.

## Recommendation 9

In addition to the enhanced monitoring arrangements that the Welsh Government has already put in place, it is critical that lessons are learned from the HMRC experience through a comprehensive review. NRW should report back to the Committee with full details of its approach.

NRW and Welsh Government have both been proactive in seeking to review the lessons learned from the IR35 Enquiry. Internal Audit reports have been completed by both organisations and action plans already implemented.

A further report on lessons learned will also be produced for the NRW Board and Audit & Risk Assurance Committee (ARAC) once the HMRC Enquiry has concluded. The main findings and recommendations of the report will be made available to the Committee.

NRW had already taken action to remove all off-payroll contractors by the end of 2023/2024. None have been engaged since then. People Management (HR) and Procurement colleagues have developed a new 'Ways of Resourcing with People & Skills Procedure' to identify robust and compliant methods of engaging external support (e.g. Agency Workers, Agency Specialists and Consultants) but only where strictly necessary. The Procedure has been published on our intranet site and promoted via internal communication channels. A staff training event is planned this month and will be recorded for those unable to attend.

A Resource Governance Group has also been established to review all new and existing Agency Specialists and Consultant engagements. Business cases are required for each one, which must be approved by the Group and then signed off by an Executive Director. Guidance is clear that in no cases will it be acceptable to engage an off-payroll contractor through a Personal Services Company (PSC).

Our new arrangements have been developed internally. To provide additional assurance, they have now been subjected to independent review by our external tax advisors. All recommendations made by the advisors have now been addressed in the final arrangements implemented.

The NRW Board and Finance Committee have been kept aware of developments throughout this process.

## Recommendation 10

**NRW should report back to the Committee (before the Bill is introduced) on the conclusions it has reached with Welsh Government on the resources required to implement the legislation adequately.**

NRW has been working closely with Welsh Government to understand the implementation requirements of the new environmental principles duty and an environmental objective.

The new duty to have “special regard” to the environmental principles introduces a distinct and more explicit requirement for NRW (and Welsh Ministers) to integrate these principles systematically across all policy making functions. The introduction of the duty will require NRW to ensure evidence, advice and internal decision-making processes explicitly reflect and apply the environmental principles. To implement the duty effectively, we anticipate there will be requirements for:

- Initial internal training and capacity building, to support the continued and consistent interpretation and application of the principles across all functions.
- Review and update of our existing policies and procedures, to ensure the principles are embedded into policy development, operational guidance and risk-based decision-making processes.
- An ability to demonstrate that the principles have been considered and applied in practice for example through internal assurance mechanisms.

The inclusion of the integration principle within the duty will support better coherence across legislative duties and NRW's own regulatory principles. It reinforces a more joined up, preventative approach to environmental and social outcomes, to avoid siloed or short-term decision-making. The approach builds on our existing Sustainable Management of Natural Resources duty, and aligns strongly with NRW's purpose and delivery model, particularly in our environmental protection priorities and responding to the climate and nature emergencies.

The Bill establishes the Office of Environmental Governance Wales (OEGW) to provide oversight of the implementation of, and compliance with, environmental law in Wales by

Welsh public authorities – it will have powers to undertake investigations, enforcement actions, and monitor the progress of Ministers towards meeting targets.

We have been liaising with Welsh Government on the appropriateness of the proposed governance arrangements during the development of the draft Bill. However, we have not yet had detailed discussions regarding the resource implications for NRW of the establishment of OEGW and so the direct costs are difficult to quantify. It should be noted that many of the functions of the proposed OEGW apply to all public bodies, although NRW is a significant part of the environmental legislative landscape and we will need to consider how best to facilitate investigations and implement any recommendations efficiently. We will continue to liaise with regulators in England and Scotland to learn from their experiences.

We note, and agree with, the general co-operation duties to be placed upon public bodies within section 23. It should however be highlighted that as the primary environmental regulator for Wales we may be requested to provide significant amounts of information and/or expertise to assist the OEGW and inform their investigations of other public authorities. Within our response to the White Paper consultation, we highlighted the need to ensure that the new body will have appropriate access to expertise to reduce these potential unfunded pressures on NRW and ensure the independence of the body.

The Bill amends Part 1 of the Environment (Wales) Act 2016 to introduce a new biodiversity target setting framework. Ministers will have a duty to set at least one target for each of the following priorities:

- Reducing native species extinction risk
- Effective management of ecosystems
- Reducing pollution
- Evidence relating to biodiversity including access to it and use and application.

While the details regarding actual targets for the four priorities are still being developed, effective and affordable monitoring and evidence frameworks are vital to track progress. Effective monitoring and evidence underpins good decision making and enables an adaptive management approach to deliver resilient ecosystems and positively responding to wider pressures such as climate change. These frameworks need to be informed by an appraisal of data needs, building on existing good practice and data sets, and identifying what is needed in the future. This includes creating opportunities for better collaboration, an increased role for citizen science and making better use of technological advances. We have been working with Welsh Government through the 30 by 30 Monitoring and Evidence Expert Group about how to address these challenges. A key part of this process is to ascertain and evaluate the priority steps to take, resolving any blockers and prioritising existing resources. The process may identify gaps that could impede progress and additional resourcing needs cannot be ruled out at this stage.

The above sets out the areas of discussion with Welsh Government around parts of the Bill that have resource implications for NRW. To date we have not identified specific new resource needed, but rather prioritising and re-directing of existing resource. We will, however, keep this point under review with Welsh Government because as the operational

implications of the Bill become increasingly clear, we may identify new permanent or time-limited resource needs.

## Recommendation 11

**NRW should work closely with the Welsh Government to ensure that the forthcoming Industrial Timber Strategy allows NRW to manage its income from commercial timber effectively across financial years.**

The Welsh Government underpins NRW's timber income at £33m, due to the volatility that is ever present in the market but especially now, given its sensitivity to world economic conditions (initially the pandemic, wars and tariffs). The market is also vulnerable to a variety of other factors, such as the storms last winter which contributed to a reduction in income in the final two quarters of last year. While NRW works to maximise timber income and aims to meet or exceed the £33 million target, this is not always achievable due to these external pressures.

NRW has supported and continues to work with Welsh Government on the Timber Industrial Strategy (TIS), through membership of the TIS Working Group. NRW officers advocate for the Welsh Government Woodland Estate (WGWE) within this forum. Welsh Government (WG) colleagues have also attended customer engagement events hosted by NRW, as an opportunity to engage directly with industry stakeholders, and promote the opportunities within a TIS for Wales.

We will continue to work with WG to ensure that any change in timber requirements, or introduction of alternative sales methods from the WGWE are funded in a sustainable way, to deliver the greatest benefit. At the time of writing, the forthcoming TIS has not yet been published, so the potential impact on the demand for timber from the WGWE – and the implications for NRW's commercial timber income – remain uncertain.

In parallel, NRW is currently developing a new Commercial Strategy, which will outline how NRW will deliver Sustainable Management of Natural Resources through its commercial activities. The TIS is likely to give a clearer indication on maximising the benefits of Welsh timber as a provisioning resource and may influence this plan and our commercial decisions around forest management and timber marketing.